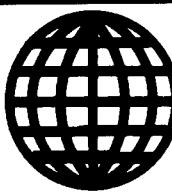


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26 JULY 1990



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# ***JPRS Report***

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GENERAL

**U.S.-British 'Special Relations' Viewed**

*HK1106120990 Beijing SHIJIE ZHISHI [WORLD KNOWLEDGE] in Chinese No 10, 16 May 90 pp 7-8*

[Article by Ruan Zongze (7086 1350 3419): "U.S.-British 'Special Relations' Are Experiencing a Test—First paragraph is SHIJIE ZHISHI introduction"]

[Text] U.S.-British relations are being challenged by the relaxation of U.S.-Soviet relations and German reunification. But their historical origins, common strategic interests, and Britain's special role in U.S.-Soviet relations will help preserve U.S.-British relations.

Western media have been commenting on, and speculating about U.S.-British relations. They are asking whether U.S.-British traditional "special relations" will continue and develop under the present situation. When Reagan was in office, Mrs. Thatcher and Reagan established extraordinary personal relations due to the closeness of their guidelines for domestic and foreign policies, thereby making U.S.-British "special relations" more intimate. As everyone remembers, Britain and Argentina clashed over the Malvinas Islands, and the United States firmly stood on the British side. In 1986 Britain allowed the United States to use a British air base to carry out air raids on Libya. U.S.-British relations at that time were indeed extraordinary.

But after a leadership change in the White House and the drastic changes in Eastern Europe last year, comments have increased on whether U.S.-British relations will remain unchanged. Some Western diplomats pointed out that East-West relaxation and certain factors will not help Reagan or Mrs. Thatcher to hand down their personal relationship to Bush. In particular, with German reunification on the agenda, West Germany has become weightier on the U.S. diplomatic scale. Some people are under the impression that West Germany will become the United States' main partner in Western Europe instead of Britain. Others pointed out that Britain has been cold-shouldered and still others even say that U.S.-British special relations are over. They made these remarks on this strong basis: Shortly after his meeting with Gorbachev in Malta on the night of 3 December last year, Bush hurriedly flew to the NATO countries to brief them on the results of the meeting. He first met German Chancellor Kohl instead of Mrs. Thatcher, the usual practice in the past. On the following morning, prior to a NATO summit meeting, Bush met the EEC executive chairman. Neither this executive chairman nor Mrs. Thatcher knew how to cope with the unification of European currencies. It was reported that Mrs. Thatcher did not want to hold talks with the executive chairman in her capacity as prime minister.

Are U.S.-British special relations weakening or even disappearing? Evidently this is not the case. During his visit to Britain in early June last year, President Bush stressed that "U.S.-British special relations have existed

and will continue to exist," adding that these relations "are very solid." Subsequently, Mrs. Thatcher repeated similar remarks during her visit to the United States. On 13 April, Mrs. Thatcher held the fifth round of meetings with Bush since entered the White House in British Bermuda. This four-hour meeting attracted people's attention. Mrs. Thatcher said after the meeting that she held "unanimous views with Bush almost on all issues." Foreign press circles commented that the Bermuda meeting once again confirmed the special relationship between the United States and Britain.

To put it more specifically, the Bermuda meeting suggested that the United States and Britain held a basically unanimous stand on some major issues. First, regarding the Soviet Union, Bush and Mrs. Thatcher expressed their support for Gorbachev and took a cautious attitude toward the Lithuanian issue. At the same time they pointed out that if the Soviet Union imposed sanctions on Lithuania, this would affect East-West relations. Second, on the issue of NATO and German reunification, both stressed the necessity for keeping NATO, and that Germany should remain in NATO after its reunification. They demanded that an early NATO summit be held to discuss German reunification and that nuclear missiles be deployed on West German territory. In addition, the two leaders exchanged views on U.S. troops stationed in Europe and European security, and reached a consensus on these issues. Bush told Mrs. Thatcher that he wished to see a conclusion to a U.S.-Soviet treaty on cutting strategic nuclear arms before the upcoming U.S.-Soviet summit.

Their difference was mainly on updating NATO nuclear weapons in Europe. Mrs. Thatcher insisted on updating NATO nuclear weapons, whereas Bush remarked that this question should be decided by all NATO members.

This is merits attention: The Bermuda meeting took place before the U.S.-Soviet summit and had something to do with the summit. Public opinion suggested that this was not a coincidence; this showed the "special relations" between the U.S. and Britain and Mrs. Thatcher's unique role in these relations.

The press particularly pointed out that the Soviet Union occupied a prominent position in U.S.-British relations. After World War II, the United States and Britain reached a consensus on avoiding the Soviet threat. When Mrs. Thatcher assumed office in 1979, the Soviet Union was carrying out large-scale expansion abroad. She resolutely contained Soviet expansionism by applying a flexible strategy, thus deepening her relations with Reagan, who favored a hardline policy toward the Soviet Union. Some people even said that as a superpower arising after World War II, the United States required the British empire's diplomatic experience and strategy in coping with Soviet expansionism. Mrs. Thatcher met Gorbachev on five occasions after he came to power. Her final conclusion was that Gorbachev was a person "possible to contact." Mrs. Thatcher was the first Western leader to confirm Gorbachev through actual contact with

him. Mrs. Thatcher's appreciation of Soviet reform and Gorbachev helped the United States adjust its policy toward the Soviet Union, thus improving U.S.-Soviet relations and British-Soviet relations as well. Through his contacts with Mrs. Thatcher, Gorbachev also built his relations with the West.

Viewing the above situation, U.S.-British special relations are facing a test. Although President Bush is not as enthusiastic about U.S.-British "special relations" as Reagan was, and sometimes the two countries even hold differences of opinion on certain issues, the United States and Britain are tied by means of historical relations and have are unanimous on values, apart from Britain's role of being indispensable in the development of U.S.-Soviet competitive and cooperative relations. In addition, the United States and Britain have common strategic interests and their "special relations" will therefore continue to exist and to have an impact upon the development of East-West relations and the international situation.

**LIAOWANG Views Thatcher-Gorbachev Meeting**  
**HK2206140190 Hong Kong LIAOWANG OVERSEAS**  
**EDITION in Chinese No 25, 18 Jun 90 p 22**

[Article by Xue Yongxing (5641 3057 5281): "A High-Level British-Soviet Meeting Needed by Both Sides"]

[Text] London—British Prime Minister Mrs. Thatcher carried out a four-day visit to the Soviet Union starting on 7 June. She held talks with Soviet President Gorbachev on the important international problems such as German reunification, Europe's future, and disarmament, as well as on bilateral relations. This was the seventh meeting between Mrs. Thatcher and Gorbachev in the past five years.

Mrs. Thatcher's trip to the Soviet Union was made just a few days after the U.S.-Soviet summit. Shortly before her visit, she and Gorbachev had participated respectively in the conference of foreign ministers of NATO countries in London, and the summit of Warsaw Pact countries in Moscow.

According to British newspapers, although both sides claimed that the meeting this time was "frank and friendly," the leaders of both countries still differed in opinion on some important international problems, and the difference had not been reduced. First of all, on the problem of whether a united Germany should remain within NATO, Mrs. Thatcher held that: The unified Germany must remain within NATO, but NATO forces will not be deployed in the territory of the current German Democratic Republic [GDR], while the Soviet Army can continue garrisons in the GDR during a transition period. She reiterated: "The Federal Republic of Germany [FRG] must continue to stay within NATO, we need the United States to continue staying in Europe, and this is crucial to Europe's security." She tried to persuade Gorbachev that a unified Germany staying within NATO will not "constitute a threat" to the Soviet

Union. Gorbachev strongly opposed this, expressing time and again the Soviet Union's "worry" about Germany staying within NATO. He stressed the need to find a "plan which is acceptable" to the Soviet Union. In addition, Gorbachev proposed a pan-Europe security system to replace the currently existing NATO and Warsaw Pact, and reiterated his idea of a "common European mansion." Mrs. Thatcher held a different opinion on this, and said at the press conference she jointly held with Gorbachev that she could not see such a prospect. This British Prime Minister, who has always held that nuclear weapons cannot be eliminated and that only a nuclear deterrent can stop war, thought that the West must continue maintaining strong defense forces under the new international situation, including the modernization of the currently available nuclear weapons.

Observers here thought that although both sides still differed in opinion on major problems, the meeting was still "very beneficial" to both sides. Gorbachev wanted to know the reaction of the West European countries after the U.S.-Soviet summit, and Mrs. Thatcher was undoubtedly an important channel; on the other hand, the summit of NATO countries will be held in early July in London, and Mrs. Thatcher, who as an experienced politician and host of the summit, will certainly have an influence, so it would be nice to grasp the chance to talk to her. For Mrs. Thatcher, she wanted to listen to the "first-hand wind" blew by Gorbachev on the U.S.-Soviet summit, and in particular, she wanted to understand the Soviet Union's stance on British independent nuclear power. After the U.S.-Soviet summit in Washington, President Bush phoned Mrs. Thatcher to report the details. According to information, during the U.S.-Soviet summit, the Soviet Union had wanted to include Britain's nuclear power into consideration in the next stage of talks on disarmament of strategic weapons. Britain strongly opposed this. According to reports, Mrs. Thatcher took the initiative in raising this problem during talks with Gorbachev, and reiterated Britain's consistent stance.

People have noticed that both Mrs. Thatcher and Gorbachev needed this round of British-Soviet meetings. THE INDEPENDENT, a British newspaper, carried a commentary which stated: "Like Mr. Gorbachev, Mrs. Thatcher is much more welcome abroad than at home. She needed (to see) him, as an answer to the accusation that she is being dumped by Britain's European companions and the United States." This newspaper also said: "Mr. Gorbachev understands clearly that the (British) Prime Minister is the biggest potential obstruction within NATO to his idea of a common European mansion, and the biggest potential ally to him as he carries out reform in the country."

When Mrs. Thatcher visited the Soviet Union this time, it is a time when economic difficulty in the Soviet Union has intensified, and national conflict has worsened, while Gorbachev was seriously challenged. During the visit, she utilized various chances to express "stauch

support" for Gorbachev, praising him as a leader "with insight and knowledge," and urging the Soviet people to support Gorbachev's reform with political decentralization and market economy as the major characteristics, until success.

According to information disclosed by the British officials, in order not to embarrass Gorbachev, Mrs. Thatcher this time has not met Boris Yeltsin, the newly elected chairman of the Supreme Soviet of the Russian Republic. In addition, on the controversial problems such as Lithuania and other Baltic republics asking for "independence," and the migration of Soviet Jews to Israel, Mrs. Thatcher changed from her usual stance, and kept a low profile. TASS commented on this, praising Britain's "wise stand on the sensitive problems faced by another country."

During the visit, Britain and the Soviet Union signed the agreements on strengthening cultural exchanges and trade cooperation, and on establishing joint-venture enterprises. In Kiev, the capital of Ukraine, Mrs. Thatcher officiated at the opening ceremony of the British Industrial Exposition, which is aimed at publicizing "the life-style of Britain." Also, in Armenia, she cut the ribbon for a new school built by funds raised in Britain. These can be viewed as concrete achievements in Mrs. Thatcher's trip to the Soviet Union.

## SOVIET UNION

### Gorbachev's Views on Reform, Party Role Noted

OW0507044890 Beijing XINHUA in English  
0119 GMT 3 Jul 90

[Text] Moscow, July 2 (XINHUA)—Soviet leader Mikhail Gorbachev today stressed the need to see clearly the direct interrelationship between law and order on one hand and the level of political and social stability on the other.

Addressing the 28th Soviet Communist Party Congress, Gorbachev called on the delegates to scrutinize the current situation and give their assessments and proposals for strengthening law and order.

But, he said, the Soviet Communist Party is opposed to any pressure on law-enforcement bodies.

Gorbachev warned that without political reform the growing politicization of society will lead to serious chaos fraught with explosive social consequences.

However, he added, the process of political reform is marked by difficulties because it affects the interests of diverse social sections and millions of people who are engaged in management.

Gorbachev said that it is imperative to restore the understanding of Lenin's theory of a vanguard role for the Soviet Communist Party which, he said, has neither the political nor the moral right to absolve itself from

responsibility for the reform program, nor to shirk from its role and retire from the social process.

The party will pursue its policy and work to retain the mandate of the ruling party within the framework of the democratic process, involving elections for legislative institutions at national and local levels, he said.

Touching on ideological issues, Gorbachev urged a "critical reappraisal and essential modification" of "the old ideas" about the Soviet Communist Party.

He said the party is emphatically against dogmatism, and in favor of a consistently creative approach to the theory and practice of socialism and to the comprehension of the historical experience of the 20th century, and of the heritage of Marx, Engels, and Lenin and other eminent exponents of revolutionary and progressive thought.

An updated party, he continued, will have the socialist option and communist perspective, a voluntary association of like-minded people, which can express through its policy the interests of the working class, the farming community, the intellectuals and professional people.

It will be a party committed to common human and humanistic ideals, sensitive to national traditions and aspirations and, at the same time, intolerant of chauvinism, jingoism, racism, and any manifestation of reactionary ideology and obscurantism, he said.

In his speech, Gorbachev also criticized party bodies for their failures in political work and for not being able to conduct it in resolving the problem of deteriorating interethnic relations.

He said reform and glasnost (openness) have laid bare problems and contradictions in the development of various regions and nationalities.

"As we embark on a succession of deep-going changes in our multinational state, we need tranquility, peace and cooperation," he said.

"People need a real union of sovereign states to untie knots of conflict, raise cooperation to a new level, and multiply the political power of the union and its economic and spiritual potential in the interests of all those who have joined hands in the country," he said.

### Soviet Party Congress Affirms Communist Ideology, Path

OW0607100790 Beijing XINHUA in English  
0715 GMT 6 Jul 90

[Excerpts] Moscow, July 5 (XINHUA)—Delegates to the 28th Soviet Communist Party Congress today discussed issues on the party's role, its social and economic policies and many other important issues in seven working groups.

General Secretary Mikhail Gorbachev [passage omitted] urged delegates from the countryside "not to yield to appeals by left-wing adventurists and by those who want the past to return."

Prime Minister Nicolay Ryzhkov said in the same group that the food problem should be solved "through the social transformation of the countryside and the development of the processing industry."

The majority of attendants in the group concerning the party's work, which had the largest number of all, reaffirmed their conviction for communism as the party's ideology.

The group put forward many amendments to the draft program statement and rules of the party in a bid to promote inner-party democracy.

The majority of the delegates in the section related to ideological work agreed that the drop in the party's prestige resulted from the weakening of the party's ideological influence.

The section dealing with ethnic problems recognized the need to adopt a new union treaty so as to stabilize the political situation and normalize economic relations between the union republics.

The prevailing idea ventilated by the section concerning social and economic policy is that the old economic mechanism has been destroyed during the years of perestroika, but the new one has yet to be established.

Some speakers were against the turn to market economy while others concentrated themselves on ways to make the transition to market economy shorter and less painful.

Speaking at the international policy section, alternate Politburo member Yevgeniy Primakov said that "the party's international policy during the period under discussion was not only correct but also truly triumphant."

This view, however, was slapped by some other delegates, including Military Council member General Ivan Mikulin, chief of the Political Department of the Southern Army Group, who complained that "the West is building up its own security exclusively at our expense." [passage omitted]

#### **USSR Party Delegates Urge Party Unity To Solve Crisis**

*OW0807042690 Beijing XINHUA in English 1209  
GMT 7 Jul 90*

[Text] Moscow, July 6 (XINHUA)—During a heated debate at the fifth day session of the 28th Soviet Communist Party Congress today, delegates appealed for unity as the only way out of the present crisis.

"The unity of the party and the country provides us with the only way out of the crisis," the Soviet news agency TASS quoted Turkmenian Party Chief Saparmurad Niyazov as saying.

TASS reported some worker delegates as saying that there were those attempting to disintegrate the party's ideology and basis of organization and "ruin the party from within."

"We will not go along the same road with those who insult Lenin and the Leninist Party. We want to join forces with those who respect Lenin's Party, while differing in viewpoints," Boris Kustov, general manager of the Siberian Metallurgical Plant, said.

Viacheslav Shostakovski, a delegate from the democratic platform, advocated "giving up communism, the programmatic goal of the party" and urged "de-politicalization" of the Army, the KGB, and all the state institutions, thus abolishing the grass-roots party organizations.

Marxist platform delegate A.V. Buzgalin advocated, in his speech, "extensive democracy based on loyalty to Marxism."

Vladimir Potapov, first secretary of the Irkutsk Regional Party Committee, said perestroika (restructuring) had begun without serious strategic preparations, and many mistakes have been made in carrying out the economic policy in particular.

Absamat Masaliyev, first secretary of the Kirghiz Communist Party, held that the Soviet Communist Party leadership had "indulged in meetings" with few practical actions.

#### **NEAR EAST/SOUTH ASIA**

##### **Israel's Motives Behind Soviet Jews Absorption Viewed**

*HK0407051690 Beijing RENMIN RIBAO in Chinese  
28 Jun 90 p 7*

[Article by Wang Shifang (3769 1102 5364): "Why Is There a Continuous Influx of Jewish Immigrants From the Soviet Union to Israel?"]

[Text] Since the beginning of this year, there has been a continuous influx of Jewish immigrants from the Soviet Union to Israel. These immigrants have been helped by the Israeli authorities to settle in territories occupied by Israel. This has evoked strong repercussions in the Arab world and aroused the close interest of the international community.

In April of this year, about 12,000 Jews went to Israel from the Soviet Union. The number of Jewish immigrants this month was the highest in history and equal to the total number of Jewish immigrants last year and 2,000 more than the total number of the previous year.

In the first four months of this year, a total of about 40,000 Soviet Jews had gone to Israel. Recently, the Israeli Minister of Immigration and Absorption, Yitzhaq Peretz, announced that there will be 250,000 Soviet Jews coming to Israel this year. This figure is even higher than the total immigrants in the past 20 years. In order to help them settle in Israel, the knesset has approved an emergency plan, demanding an allotment of an additional sum of \$1.25 billion and the building of 70,000 more houses for the new immigrants. According to reports by foreign news agencies, if Jews continue to immigrate at the same rate, there will be more than a million Soviet Jews in Israel by the year 1995. "As a result, the Jewish population in Israel will increase by 25 percent, and their proportion in the total population will be more favorable to the Jews."

With the situation of a long-time obstruction of peace in the Middle East, the immigration of tens of thousands of Soviet Jews to Israel is not merely a question of immigration. It has a more profound significance in the balance of regional strengths.

The immigration of Soviet Jews did not just start today. But why has it become the focus of attention recently? There are many reasons for this. **First, reform is being carried out in the Soviet Union and its policy on Jewish emigration has been relaxed.** For this reason, an increasing number of Soviet Jews have been emigrating abroad, especially since the beginning of this year. **Second, the United States is vigorously supporting this migration.** For many years, Washington has been using it as a condition for improving its economic and trade relations with the Soviet Union (including granting most-favored-nation status), demanding that Moscow relax its policy on Jewish emigration. Just as was pointed out by the U.S. INTERNATIONAL PIONEER FORUM [guo ji xian qu lun tan bao 0948 7139 0341 7517 6158 1086 1032]: "The United States has always linked the signing of a trade agreement and granting of most-favored-nation status to the Soviet Union with a new Soviet emigration law." Washington clearly pointed out that if the Soviet Union did not agree with the United States, it would be impossible for both sides to improve their economic and trade relations. On the other hand, the United States has set a limit for the immigration of Soviet Jews to the U.S., according to which only 50,000 Jews are allowed every year. The British weekly **THE ECONOMIST** said that according to existing U.S. law, only those Jewish families who have immediate relatives in the United States are allowed to immigrate to the United States. Thus, most of the 50,000 Jews will be considered as refugee immigrants. At the same time, the United States has offered Israel \$400 million to build houses for the Jewish immigrants from the Soviet Union. The intention of the United States in so doing are clear to all. **THE ECONOMIST** also said: The Jews in the United States are making efforts to "raise \$420 million to assist the Israeli authorities in helping Soviet Jewish immigrants to settle." Their purpose is "to make vast numbers of Soviet Jews migrate to Israel rather than to

the United States." The INTERNATIONAL PIONEER FORUM also pointed out: "Palestinians are suspecting that the United States is trying to strengthen Israel and harm the Palestinian people by forbidding Soviet Jews to migrate to the United States." For this reason, "the Palestinian people fear that the majority of the 1.7 million Palestinians will eventually be driven out of their homeland." **Third, Israel is trying every means to attract Soviet Jews to move in.** Every Soviet Jew who moves to the Israel can immediately obtain a subsidy of \$500. They can also obtain all kinds of subsidies and allowances for their livelihood, housing, and public expenses (such as traffic, electricity, and water expenses). At present, Israeli economic development is in a depression. Its unemployment rate is as high as 10 percent. Naturally, it is difficult for Israel to help the Soviet Jewish immigrants to get jobs. However, the Israeli authorities have found a way to encourage enterprise owners to employ them: In the first six months, their wages will be totally paid by the government, while in the next four months and last two months, the government will still pay 30 and 15 percent respectively. The Israeli authorities have also built many houses for Soviet Jews in occupied territories, including Jerusalem. On the other hand, they have taken over the land of the Palestinian people under all pretexts and destroyed their homes, in an effort to drive the Palestinians away so that there will be more land to build houses for the Jewish immigrants from the Soviet Union.

**Why does Israel show such solicitude for the Soviet Jews?** Every year, large numbers of Jews are emigrating from Israel to other countries. In addition, the Arab population growth rate is higher than that of the Jews. If this continues, the population will become unfavorable to the Jews. That is why Israel needs to have more Jewish immigrants from other countries, especially the Soviet Union, with the support and coordination of the United States.

We must point out that when Israel invites Soviet Jews to settle, there are also some other considerations. Most of the Jewish immigrants are professional personnel, including professors, scientists, engineers, musicians, and doctors, who have been educated in universities and other institutions of higher learning. Their coming has undoubtedly enhanced the national strength of Israel. For this reason, an ultra-rightist in Jerusalem said with delight that "with these immigrants, the future of our country will be guaranteed." Israeli President Herzog also said that the coming of large numbers of Soviet Jews is "the most important development in Israel since the founding of the state." Observers believe that the ultra-rightist forces in Israel are trying to use this to control the territories they have forcibly occupied forever, so that they can realize their dream of establishing a kingdom of "Great Israel." The INTERNATIONAL PIONEER FORUM exposed this attempt of the Israeli authorities. It said: "Some major rightist leaders of Israel said that the immigration of large numbers of Soviet Jews to their country will strengthen the occupation of Israeli-occupied territories."

This has precisely made the Arab world and the Palestine Liberation Organization worried and uneasy. U.S. NEWS AND WORLD REPORT also said that "the immigration of large numbers of Soviet Jews to Israel and the West Bank and Gaza Strip occupied by Israel has caused fear in the Arab world and the indignation of press circles." Proposed by Palestinian President Arafat, the Arab countries recently held an emergency summit in Baghdad to discuss countermeasures. The communique adopted by the summit pointed out: The influx of large numbers of Jewish immigrants from the Soviet Union to Israel "has constituted a serious threat to the security of Arab countries." The summit demanded that the international community adopt emergency measures to stop Israel's deliberate act of helping large numbers of Soviet Jews settle down in its occupied territories. It also demanded that the United Nations carry out international supervision on this matter.

On the other hand, Palestine, Egypt, Jordan, and other Arab countries demand that the Soviet Union set restrictions on Jewish emigration and that the United States accept more Jewish immigrants. At the same time, they also demand that the United States and Soviet Union stop Israel from assisting Soviet Jews to settle in Israeli-occupied territories. The Soviet Union has already declared that if Israel continues to act willfully and to help Jewish immigrants to settle in territories under its occupation, the Soviet Union will restrict Jewish emigration. Although the United States has repeatedly declared that it is against what Israel is doing, it has refused to accept more Soviet Jews. Thus, it seems that this urgent problem, which directly affects the security of the Middle East region, cannot be solved very soon. If this problem is not reasonably solved, the development of the Middle East situation will be obstructed.

## WEST EUROPE

### Paris-Based Dissident Group Invites Fang Lizhi to Meeting

HK0907030390 Hong Kong SOUTH CHINA MORNING POST in English 9 Jul 90 pp 1-2

[By Willy Wo-Lap Lam]

[Text] The Paris-based dissident organisation, the Federation for Democracy in China (FDC), has invited Professor Fang Lizhi to participate in the group's second annual convention in San Francisco in September.

Professor Fang, who left China with his wife, Ms Li Shuxian, last month after sheltering in the U.S. Embassy in Beijing for a year, has not said whether he will attend.

In a letter to an FDC official last week, however, Professor Fang hinted at the couple's continuing ties with the future of the democracy movement.

"In our hearts, we care very much about the things that all of us are concerned about," Professor Fang wrote.

But he wrote that he needed time to recuperate.

"I am in the process of re-establishing contact with the scientific community. I shall get in touch with you in the future."

Mr. Li Guangcheng, a Cambridge-based official of the FDC, said that for the time being, Professor Fang was not seeing visitors.

"We hope Mr. Fang will join the FDC in the near future," Mr. Li said. "Many FDC members would welcome him to be our chairman. But of course, we respect his personal wishes."

Participation in the FDC would almost certainly be seen by China to be a breach of the conditions under which it was agreed the Fangs could leave the U.S. Embassy and travel to London.

The Chinese authorities said Professor Fang and the U.S. had agreed that he would not participate in activities against China after his release.

In an interview with an American TV network last week, Professor Fang accused the Bush administration of "double standards" in its policies towards China and the East Bloc.

"The West generally has less knowledge about China's human rights record than it does of abuses in Eastern Europe and the Soviet Union," he said.

However, Mr. Bush, who appeared to have been stung by the remark in view of Washington's help in arranging Professor Fang's passage to Britain, denied the charge.

"We took a lead in expressing our joint indignation in terms of the abuse of human rights in Tiananmen Square," he said in London after attending the NATO summit.

### Entry Permit Denied to Norwegian MP

90P20078A Oslo AFTENPOSTEN in Norwegian  
10 Jul 90 p 4

[Article by Knut Olav Amas: "Denied Visa for China"]

[Text] MP [member of Parliament] Harald Ellefsen (Conservative) may not travel to Tibet. The Chinese Embassy in Oslo has refused to issue him a visa or an entry permit.

"To refuse a member of Parliament permission to visit another country is an unfriendly and arrogant act," says Ellefsen, who is a member of the Storting Finance Committee and a representative from South Trondelag.

Members of Parliament normally let their visa applications go through the Foreign Ministry. Thursday, Harald Ellefsen received word from the Foreign Ministry: China's Embassy rejected the application. The reason: "We issue visas only to formally organized groups that want to visit Tibet, not to individuals."

"This confirms that the Chinese authorities want to have total control over who is allowed into Tibet. China is maintaining its iron grip on Tibet despite promises of easing up."

"New documentation was presented at an international parliamentary conference in London that I participated in last week showing that the scope of Chinese torture and tyranny is still very great in Tibet," says Ellefsen.

He took up the visa refusal at the conference. It was discussed whether parliamentarians from many countries should now take China at its word and organize a group to apply for a visa and travel together to Tibet.

The Storting representative will travel to Dharamsala in northern India at the end of August to have talks with members of Tibet's government in exile. He has also been granted an audience with the Dalai Lama.

## EAST EUROPE

### **Yugoslav Politician Warns Multiple Parties Spell Chaos**

OW1806051090 Beijing XINHUA in English  
0120 GMT 18 Jun 90

[Text] Belgrade, June 17 (XINHUA)—Yugoslav Presidency member Dragutin Zelenovic warned today that the recent emergence of political parties in Yugoslavia will only lead to chaos, civil war and possibly the end of the Yugoslav Federation.

In an interview with the newspaper DNEVNIK printed in the city of Novi Sad, Zelenovic said the new parties have no Yugoslav characteristics and will not lead to democracy, progress or development for the country.

They may only bring about ethnic conflict, social disintegration, a drop in production, political tension and, finally, the collapse of Yugoslavia, he said.

Zelenovic said that the collapse of Yugoslavia will not benefit any of the national groups that make up the Yugoslav Federation. Rather, it can only result in civil war, he warned.

The presidency member also said some Yugoslav separatists and their foreign leaders have claimed that human rights in Yugoslavia are threatened. In fact, he said, they act to end socialism in the country.

### **Romania 'Disappointed' at U.S. Attitude Toward 'Rebellion'**

OW0107060390 Beijing XINHUA in English  
0127 GMT 1 Jul 90

[Text] Bucharest, June 20 (XINHUA)—Romanian President Ion Iliescu charged today that Romanian extremist groups fomented last week's [as received] violence in

Bucharest to disturb Romania's political life and defame the government, the official ROMPRES NEWS AGENCY reported today.

The president said he was disappointed at the U.S. attitude towards the rebellion and the U.S. ambassador's refusal to attend his inauguration.

Iliescu said he hoped the U.S. Government would reconsider its own conclusion based on Romania's reality.

The president said an organized rebellion to oppose the existing government occurred in the Romanian capital on June 13, with beatings and burnings by people armed with knives and Molotov cocktails, ROMPRES said.

Romanian troops set up defense positions around key government buildings and miners from the countryside called to the center of the capital to put an end to the riots, ROMPRES said.

The violence occurred after government forces ended a 53-day anti-government protest encampment in Bucharest's University Square.

The U.S. State Department announced on June 15 that the U.S. was halting economic assistance to Romania, because the Romanian Government's forcible halt of the protest and use of workers to help end the demonstration damaged Romania's move toward democracy.

### **Power Struggle in Polish Solidarity Viewed**

HK1007123590 Beijing RENMIN RIBAO in Chinese  
8 Jul 90 p 6

[“Roundup” by Hu Xijin: “An Intensifying ‘Political War’ in Poland”]

[Text] On 30 June and 1 July, the Solidarity Citizens' Committees held two representative meetings. The one on 1 July was held at the request of (Wujec), former secretary of the Citizens' Committees, who had been “relieved” of his office by the Solidarity chairman, and the one on 30 June was held “in advance” at the request of the Solidarity chairman. Solidarity chairman Walesa and Prime Minister Mazowiecki of the Solidarity-dominated government attended the meetings separately. Public views say they are “putting on a rival show.”

Despite the fact that the founding of the Citizens' Committees was proposed by the Solidarity chairman, who also leads it directly, (Wujec), secretary of the Committees, also has substantial powers. In early June this year, the Solidarity chairman announced that (Wujec) will be relieved of his post, and proposed the resignation of Michnik, chief editor of GAZETA WYBORCZA, a Solidarity-affiliated newspaper. Those around him even demanded that the trade union logo be removed from this paper. Despite the fact that the Solidarity chairman gave different explanations for these decisions, public opinion holds that the reason behind the “personnel change” is that GAZETA WYBORCZA

run by (Wujec) and Michnik supports the prime minister in the conflict between the government and the Solidarity chairman.

Recently, when the Solidarity chairman had blamed the government again and again for the "delay in making reforms," and demanded the government to "strengthen privatization" in economy and to "speed up diversification" in politics, and criticized the government for replacing the old power "monopolies" by new ones, the government responded strongly. On 22 June, the government spokesman publicly criticized the Solidarity chairman and those around him for "not putting forward chooseable proposals for government programs, and not making various revised suggestions or good ideas, which might only be empty talk or impractical demands; but only blamed the government for moving at a snail's pace in structural and personnel reforms." At the 13th session of the Citizens' Committees, controlled by the Solidarity chairman, on 24 June, many prominent figures, including 63 members of the Citizens' Committees, wrote to the Solidarity chairman, accusing that his decision on discharging (Wujec) of his post as secretary of the Citizens' Committees "has broken the principle of mutual respect and trust." They also expressed that they could no longer cooperate with the Solidarity chairman in the Citizens' Committees and demanded that it be dissolved.

Everyone knows that since last year's parliamentary election and since Mazowiecki, who is one of the major advisors to the Solidarity chairman, and the chief editor of Solidarity's magazine (*SOLIDARITY WEEKLY*), became prime minister, many Solidarity leaders have come to believe that under the new conditions in Poland, Solidarity must first determine its own nature: Will it continue to be a trade union organization, or will it change to a political party? The second session of the Solidarity National Delegate Congress held in April of this year failed to reduce the serious discrepancies over this issue. It was compelled, nevertheless, to declare that

"Solidarity would not become a political party but would not rule out the probability of having its delegates in the parliament and other government organizations." Public opinion also holds that the Solidarity chairman made "indistinct" speeches and remarks before and after the session. At one time, he called on the people to support the government, while another time, he blamed the government for "monopolizing" power and proposed the launching of "political war." This contrasts sharply with the government's appeal to the people to be "patient" at a time when it is carrying out urgent economic plans.

The economic policies pursued by the government have also caused some people in Solidarity to feel dissatisfied. Those siding with the Solidarity chairman blame the government for being slow in privatization reform on the one hand, and for its policies on the other hand, which have caused more unemployment and decreases in production on the other. The Solidarity chairman also criticized the government for paying very little attention to public health and health departments and for its methods for solving problems over the Gdansk Ship-building Factory.

In recent months, people around the Solidarity chairman have continually claimed that the political pattern of last year's "round-table discussions" is already outdated. They demanded the resignation of President Jaruzelski and that the parliamentary election and presidential election be moved up as soon as possible. The Solidarity chairman said clearly that "he had to be the president" even if "he did not want to." Public views believe that the prime minister is "not enthusiastic" about moving up the general election.

Centering around the Solidarity chairman and the prime minister, the "Council of the Middle-of-the-Roaders" and the "Union for Democracy" have been founded. Many senior Solidarity members have become involved in this "political war" now, which is still going on.

### Reaction to Articles on Zhuozhou Conference

90CM0163A Hong Kong CHING PAO [THE MIRROR] in Chinese No 153, 10 Apr 90 pp 46-48

[Article by Jen Sheng (0117 3932): "RENMIN RIBAO Did Not Oblige Jiang Zemin"]

[Text] CHING PAO [THE MIRROR] issued a "solemn statement" in its March edition in reaction to a public accusation made by RENMIN RIBAO which said CHING PAO engaged in "rumormongering and mud-slinging" in its report on the 1987 "Zhuozhou Conference." This statement has received a favorable response from journalists, academics, and artists in Beijing, who felt that it told the truth in a comprehensive way and drove home the point forcefully and justly.

I checked CHING PAO's articles about the Zhuozhou Conference in its May, June, and July issues in 1987, as well as a 26 February article in RENMIN RIBAO OVERSEAS EDITION which, authored by Yi Ren [1707 0086] and titled "The Ins and Outs of the Zhuozhou Conference," had previously appeared in this year's first edition of WENYI LILUN YU PIPING [THEORY AND CRITICISM OF LITERATURE AND ARTS]. [Yi Ren's article was published in JPRS-CAR-90-029, 20 April 1990.] I also have learned that Jiang Zemin, secretary general of the Chinese Communist Party, had expressed an opinion before RENMIN RIBAO carried this article. I have formed the opinion that Yi Ren apparently had an ulterior motive in digging up the old issue of the Zhuozhou Conference.

### CHING PAO Article Hits Where It Hurts

The CHING PAO articles in dispute were: "Zhao Ziyang Has Only Half the Country in His Power—Someone Is Attempting To Break the Anticapitalist Limit" by Lan Shanshan, in the May 1987 issue; "Conservative Forces Threw Out Leftist Guideline—Deng and Zhao Shot Back by Openly Criticizing Three 'Leftist Kings'" by Liu Ming, and "13 May Shocked Beijing's Political Society" by Zen Bing, both in the June issue; and, in the July issue, "Deng and Zhao Joined Hands in Combating the Leftist Faction—'The Second Rectification Attempt' Failed" by Fang Wenliang, and "Four Kinds of Pressures Troubled Deng Xiaoping" by Liu Yanying.

While criticizing Zhao Ziyang and his think tank for their campaign to attack the anticapitalist movement, Yi Ren accused Hong Kong's HSIN BAO, CHING PAO, and CHIUSHIH NIENTAI [THE NINETIES] of being part of an overseas anticomunist force. In fact, other publications that also reported on the Zhuozhou Conference included MING PAO and ASIAWEEK. MING PAO carried an article on 28 February this year authored by Ling Feng and titled "The Mistakes of a Beijing Magazine in Criticizing Hong Kong and Zhao," which pointed out that an article singled out by Yi Ren for criticism, namely the "Background of a Secret Document of the Zhuozhou Conference," had appeared in CHIUSHIH NIENTAI, not CHING PAO. Yi Ren also

mentioned another article which appeared in the July 1987 issue of CHING PAO. It was precisely this article and the others carried by CHING PAO that hit where it hurt.

### It Was Deng's Policy Not To Use Leftist Methods To Criticize the Rightists

According to the above-mentioned CHING PAO reports, the background of the communist authorities' effort to prevent use of leftist methods to criticize the rightists in 1987 was as follows: The internal fighting in the Communist Party did not cease after Hu Yaobang was ousted on 16 January of that year by the Politburo. To contain an expanding anticapitalist undercurrent, the party issued a "No. 4 document" on 28 January, which said that anticapitalist activities should be limited within the party and confined to the pursuit of political ideology. these activities, it said, should not be linked with the policies for economic reform, scientific research, art and literature promotion, or spread to the daily routine of the people. The document stressed that an anticapitalist campaign was a long-term undertaking which should be pursued by way of educating the people, not through political struggle. It added that efforts should be made to prevent the use of leftist methods to criticize rightist thinking, and that anticapitalist activities should not be allowed to impede the policy of reform and openness. When the situation was brought under control, Deng Xiaoping told visiting U.S. Secretary of State George Shultz in early March that "China's trouble is over." But, on 6-12 April, several publications, including HONGQI [RED FLAG], GUANGMING RIBAO, and WENYI LILUN YU PIPIN, held a meeting in Zhuozhou City, Hebei, in an attempt to defy the "No. 4 document." Charging that "those who criticize capitalism are themselves criticized, while those whose deeds are capitalist face no consequences," they claimed that the campaign involving anticapitalist activities was "the second rectification campaign" since the Third Plenary Session of the 11th Central Committee. Alarmed by this, Deng Xiaoping asked the then acting secretary general, Zhao Ziyang, to "check this meeting out." Deng was concerned that this meeting, which was regarded by him as attempting to criticize the rightists with leftist means, might whip up a vitriolic campaign which could destroy his earlier efforts. So, Deng deliberately criticized the Cultural Revolution on three occasions when he received foreign visitors between 26 April and 5 May. He also told Zhao Ziyang to resolve the problem before Zhao left for a European tour. Zhao then held a cadres meeting in Zhongnanhai on 13 May with representatives in charge of propaganda, ideology, press, and party schools. Zhao's speech in a Politburo meeting convened later was made into a party policy against using leftist methods to criticize the rightists.

This policy was repeatedly echoed by Deng Xiaoping in April and May that year when he said "China's primary task now is to be antileftist." At that time, when Zhao Ziyang told Deng about how serious the antirightist thinking had become, Deng said to Zhao, "It looks like

we have to be antileftist now." After he read a Politburo political report, Deng again told Zhao, "The 13th Party Congress has to emphasize the antileftist point and stress the importance of reform and an open-door policy."

This policy reinforced the No. 4 document, stopped the campaign to use leftist methods to criticize rightists, protected the achievements of economic reform, and prepared the ideological ground for the upcoming 13th Party Congress.

The 13th Party Congress held in October 1987 elected Zhao Ziyang as the party's secretary general and first deputy chairman of the Central Military Commission. It also proposed a theoretical guideline for the implementation of socialism, and announced plans for reform in the political system. These decisions won praise. To this day, Deng Xiaoping still said these decisions were not the work of Zhao alone and should not be changed. He said the 13th Party Congress should not be a subject for criticism.

#### **The Party's Mouthpiece Did Not Oblige Jiang Zeming**

But those who attended the Zhuozhou Conference banked on this year's antiliberalism trend and repeated their attempt of 1987. First, Yi Ren's article titled "The Ins and Outs of the Zhuozhou Conference" accused Zhao Ziyang and his think tank of "collaborating" with overseas anticomunist forces against antiliberalism efforts at that time, which, they charged, lead to the "turbulence" last summer and the "counterrevolutionary revolt" in Beijing. This article was rerun by RENMIN RIBAO in an attempt to emphasize the point. GUANGMING RIBAO, under the headline of "On Opposing Bourgeois Liberalization," published a speech delivered on 15 December last year by Wang Renzhi, the head of the party Propaganda Department, at a theory-studying class of the party (this 10,000-word speech was carried by QIUSHI in its fourth issue this year [see JPRS-CAR-90-033, 2 May 1990]). The speech harped on the hackneyed theme of class struggle.

Beijing's intellectual circles felt that Yi Ren had an ulterior motive for writing the article. In the speech which supported the Zhuozhou Conference, Wang Renzhi said, "Is there an economic foundation for those supporters of bourgeois liberalism to engage in this ideological, political class struggle? Is there an economic force which supports them and acts as their foundation? This question has to be looked into. As far as they are concerned, the point at issue is very clear."

Second, they chose to attack Zhao Ziyang on the eve of the Third Session of the Seventh National People's Congress [NPC] in an attempt to force the authorities to strip Zhao of his membership in the NPC. Zhao's membership was not canceled and he abstained from the presidium. Furthermore, Hu Qili, who was suspended because he supported Zhao at last year's prodemocracy movement, was brought out of disgrace and attended the NPC presidium. He was even interviewed by reporters.

Third, Because Deng Xiaoping was the architect of the campaign against leftist methods, Yi Ren's article actually targeted Deng, although he didn't name Deng in his criticism.

The article provoked widespread criticism after it was published. There would have been other articles to condemn it if the situation at the moment was not against the rightists. But these people did not know the odds against them and went further to have Yi Ren's article reprinted in RENMIN RIBAO. After learning about the planned publication of this article, Jiang Zemin told RENMIN RIBAO to be "prudent" in handling the article. His word, although not an order, was clear enough. RENMIN RIBAO thus put aside the article for a while, but later still decided to disregard Jiang's advice and publish it. Isn't it odd that the party's mouthpiece refused to oblige Jiang at a crucial time!

There was speculation that RENMIN RIBAO's move had been supported by some people in an attempt to put pressure on Deng Xiaoping.

Other speculation had the version that Jiang had not been forceful and that Deng was still testing him. That Deng did not suspend Zhao Ziyang's NPC membership was, in effect, an indirect game that he was playing. Being a practical person, Deng has been known for his ability to dismiss interference by both rightist and leftist elements. He is the absolute Deng Xiaoping.

#### **Literary Circles Seen Taking Step Backward**

*90CM0158A Hong Kong CHAO LIU [TIDE] in Chinese No 38, 15 Apr 90 pp 32-33*

[Article by Song Henggang (1345 1854 0474): "Power of the Green and Red Gangs Grows, Reforms in Big Retreat"]

[Text] Every time the Chinese Communists take a political "turn to the left," the Green and Red gangs in literature, the arts, and journalism stir to life, swinging heavy sticks and doing in their adversaries. Even though some of these people themselves fell upon hard times in the antirightist campaign or the Cultural Revolution, as soon as the chance to do someone in comes along they turn into razor-taloned ghouls who trade the humiliation of others for that "feeling of satisfaction" that comes from "gaining the party's trust."

The Chinese Communists' iron-and-blood clique is still carrying out reprisals within the intellectual community. Big personnel changes have taken place in publishing organs for literature and art, social sciences, and journalism. Even some university heads have been replaced by leftists who adhere staunchly to the rigid dogma of Marxism and Mao Zedong Thought. One such example is Beijing University's Wu Shuqing [0702 2885 7320].

The iron-and-blood clique says that the literary and artistic community is "an area of rampant bourgeois liberalism." The government organs and publications

that sympathized with the students' demands for democracy have been thoroughly investigated and many high-ranking people have been replaced. Furthermore, they have been replaced by relatively old people. Tang Dacheng [0781 6671 2052], originally a member of the secretariat of the Writers Union, is in his 50's. He was stripped of his post, and in the March session of the National People's Congress [NPC] he was removed from the presidium of the NPC. His "crimes" were evidently quite serious, otherwise why did he even have this "rubber stamp" taken away? Malaqinfu [3854 2139 3084 1133], a 60-year-old writer noted for singing the praises of the Communist Party, succeeded him as leader of the Writers Union Secretariat.

Liu Xinwu [0491 1800 2976], chief editor of the official publication of the Writer's Union, RENMIN WENXUE [PEOPLE'S LITERATURE], also lost his job. The man who replaced this 38-year-old novelist is 74-year-old Liu Baiyu [0491 4101 5038], former head of the Culture Department in the General Political Department.

#### The Green and Red Gangs Stir to Action Once More

The terms Green Gang and Red Gang refer to two different groups of people. The Green Gang [qing bang] takes its name from Jiang Qing. Its members are those people in literature, the arts, and journalism who favorably impressed Jiang Qing during the Cultural Revolution (1966-76), or anyone who toadied up to her in order to gain high office and get rich. Some of the representatives of this class of people include Yao Xueyin [1202 7185 0995], Li Xifan [2621 1585 0416], Hao Ran [3185 3544], Malaqinfu, Hao Liang [3185 0081] (the model opera performer who changed his surname from Qian [money] during the destroy the four olds campaign), Liu Changyu [0491 7022 3842], Yang Chunxia [2799 2504 7209], and Li Bingshu [2621 3521 3219].

The term Red Gang refers to people whose thinking is very Red, that is, rigid dogmatists and theorists of class struggle. Representatives of the Red Gang include Liu Baiyu, Lin Mohan [2651 7817 3211], He Jingzhi [6320 2417 0037], Huang Gang [7806 6921], and Wei Wei [7614 1550], all of whom had become well known before the Cultural Revolution for their willingness to stab someone in the back. Then there is the writer of panegyrics to the Communist Party, Zang Kejia [5258 0344 1367], as well as several "Yanan warriors of literature and art," including Chen Yong [7115 8673], Cao Ming [2850 2494], Cai Ruohong [5591 5387 5725], Wang Qi [3769 3823], and Li Qi [2621 3823].

Those who have now been assigned by the iron-and-blood clique to take over the bastions of liberalization are all members of either the Green Gang or the Red Gang.

The Green and Red Gangs lost their position and influence in the last 10 years during what was known as "new-period literature." They were ignored. They could not but have felt a sense of failure, since none of their writings was well received by readers. Now the tables

have turned and they have taken advantage of their authority to "thoroughly investigate the unrest." They have shown no mercy in cooking up charges to pin on other people. A reader who peruses the "criticisms of liberalization" written by Liu Baiyu, Lin Mohan, Wu Lengxi [0702 0397 6007], Zheng Bonung [6774 0130 6593], and Chen Yong will catch the scent of gunpowder that hung in the air during the antirightist campaign and the Cultural Revolution.

#### From the Zhuozhou Conference to the Driver's Seat at RENMIN WENXUE

Liu Baiyu, who replaced Liu Xinwu as chief editor of RENMIN WENXUE, is a writer who contributed to the Chinese Communists' "revolutionary reportage," and has won the Stalin Prize. Prior to the Cultural Revolution, he had served as deputy secretary, then secretary, of the Chinese Communists' Writers Union leading party group, as vice chairman of the Writers Union, and as the deputy minister of culture. He participated in several purges within literary and artistic circles, including the elimination of counterrevolutionaries, the antirightist campaign, and the criticism of revisionism.

In the early 1980's, Liu Baiyu was appointed by the Chinese Communists to serve as the head of the Department of Culture in the General Political Department. He launched a campaign in JIEFANGJUN BAO in which Bai Hua [4101 2901] and his movie script *Kulian* [Bitter Love] were purged. Another writer who contributed to "revolutionary reportage," Huang Gang, collaborated with Liu in this effort.

When Deng Xiaoping handed down orders in 1987 to "criticize liberalization," Liu Baiyu, Chen Yong, Deng Liqun [6772 0500 5028], and Xiong Fu [3574 1788] took part together in the Zhuozhou Conference and made arrangements for a new antirightist campaign in the literary and artistic community.

#### Cheng Shuzhen Published Things During the Cultural Revolution

Cheng Shuzhen [4453 2885 2830] was appointed a chief editor at RENMIN WENXUE at the same time as Liu Baiyu. Readers abroad may be unfamiliar with this writer.

Cheng Shuzhen, 56 years old, has written many novels singing the praises of the Communist Party. His first full-length novel, *Daxue Shidai* [University Days], was written in 1957. He wrote a full-length novel called *Gangtie Juren* [Giant Men of Steel] in 1967 which applauded the Great Leap Forward in industry. This novel was adapted as a movie script in 1974, and was later filmed.

The number of people able to get their works approved for publication during the Cultural Revolution was extremely small. Yao Xueyin, who wrote *Li Zicheng*, was

quite popular at that time. The fact that Cheng Shuzhen was able to get something published makes him part of the Green Gang.

Cheng Shuzhen is a native of Pei County, Jiangsu Province. After graduating with a engineering degree from Tianjin University in 1957, he worked as a technician in Heavy Machine Tools Plant No. 1 in Fulaerji, Heilongjiang Province. He then worked for a long time in Heilongjiang.

#### **The Extreme Leftists Chen Yong and Malaqinfu Gain Power**

Chen Yong, who has recently been sent to take charge of WENYI BAO [LITERATURE AND ART], is already 71 years old. He is an "old Yanan warrior of literature and art," and once worked in Yanan's Lu Xun Art Institute and in JIEFANG RIBAO.

This critic of party literature, famed for his leftism, was surprisingly labeled as a rightist in 1957, and he suffered greatly in the Cultural Revolution. Once he was released from the cowshed, however, he became, just like Ding Ling (now deceased), a rabid leftist. His essays in criticism of liberalization which have recently appeared in various publications are very much "in the style of Yao Wenyuan."

Malaqinfu, who has taken charge of the Writers Union Secretariat, is a Mongol and was born in Heichengzi village, Tumote banner, Liaoning Province. In the 1950's, he began to publish preachy novels describing "class struggle." He published *The People of the Keerqin Plains*, *The Vast Plains*, and so on. During the Cultural Revolution, he became head of Inner Mongolia's Bureau of Culture. He was one of an extremely small number of writers who not only escaped the purges, but even rose to an official post. He also wrote two movie scripts—*Shamo de Chuntian* [Springtime in the Desert] and *Zuguo Ah, Mugin* [My Country, My Mother]—which the Jiang Qing clique found very pleasing. Nothing he has written in the last 10 years has attracted any notice because his ideas are too set in cement. This has been the characteristic fate of all the members of the Green Gang since the Cultural Revolution.

#### ***Tale of a Red Lantern* and Lei Feng Return**

Apart from "criticizing liberalization," the thing which the Green Gang has been most enthusiastic about is the fact that the model operas of the Cultural Revolution have returned to the stage. *Tale of a Red Lantern* and *Cuckoo Mountain* are being presented everywhere, and Jiang Qing's revolutionary jargon can be heard across the land. Hao Liang and Liu Changyu, who gained fame during the Cultural Revolution by their performances of the model operas, are trying to "divorce" the model operas from Jiang Qing.

The emergence of the Green and Red gangs signifies a great step backward in literary and artistic reform in the

mainland. The rebirth of *Tale of a Red Lantern* and Lei Feng are signposts which mark this giant retreat.

#### **Low Motivation of University Students Discussed**

90CM0226A Beijing DAXUESHENG [UNIVERSITY STUDENTS] in Chinese No 5, 10 May 90 pp 32-34

[Article by Yang Mingfang (2799 2494 2455) of Central China College of Science and Engineering: "Perspective—Why University Students Have Lost Their Study Motivation"]

[Text] *Synopsis: The cry of "education crisis" caused an uproar once; heated debates on "rethinking education" raged on for a while. Today, they are all but forgotten; only the old problems remain. Are we not experts on the true essence of dialectics? What we have neglected has turned out to be a thorough analysis of dialectics!*

#### **I. The Unpredictable Campuses**

In the last 10 short years, reform has brought great changes to society. By the same token, our university campuses have completed a down-up-down circle.

Macroscopically, higher education, once stifled, was revived. It happened quickly, like a bolt of lightning touching down menacingly. The needy in society, with their empty stomachs, and the students, who hunger and thirst after their youth, united in their active and passive roles to give birth to a "college entrance craze." Higher education undertaking flourished. Colleges of all kinds doubled in number, topping 1,054, overnight. At the peak, about 1984, it even led to an unusual social situation: For the first time, people realized the magic of the commodity economy's law of value, and we saw the price of books and stationery soar and universities of all sorts, some accredited and some not, opened for business. But all these soon vanished like the fleeting cloud. This "higher education craze"—running colleges as a way to make money and attending university just for the sake of a diploma—soon gave way to "a new theory on the futility of education."

Microscopically, the universities themselves have undergone a series of metamorphoses, evolutions, transmutations, and other structural changes. In the post-Cultural Revolution environment where talents were respected, the popular slogan was "learn your science and mathematics and you will go far." This marked the beginning of a "diploma craze" which lasted eight years. From 1980 to 1986, a "Western philosophy craze" swept the campuses. Thinkings and doctrines of all kinds, some good, some evil, arrived in waves. For a while, study craze and research craze were the order of the day. This nevertheless was a heartening situation. Regrettably, it was but a "fad" that did not last. When the commodity economy spread across the country, the ideologies and behaviors of the commodity economy also set the rhythm of campus life. In 1987, a disconcerting situation appeared on the campuses as young people began to show apathy toward political ideologies and became

imbued with decadent ideas; hedonism was widespread—[there were] the mahjong craze, business craze, dance fever, romance craze, cheating, dropout, graffiti, to name just a few. It was a time of “crazes” and “fads.” Sacred halls were turned into markets, gambling dens, dance halls, and lovers’ hangouts. College students, once praised as the “hope of the nation” and “the thoughtful generation,” soon became “the bewildered generation” and “the lost generation.”

The college students have been very tense, nervous, and perturbed. Under this “macroclimate” where no one can eat or sleep, a whole generation of people is disturbed too.

True, as a sensitive social cell, it is inevitable that the schools are very much affected by the external social environment. But as a unique social sector, the schools’ purpose to impart knowledge mandates their relatively stable historic characteristic. This is what accounts for the appearance of Confucius and his 3,000 students during the Spring and Autumn-Warring States period, Plato and the Academy at a time of turmoil in ancient Greece, and Hegel’s forum when Prussia’s sky was thick with gun smoke.

Why are our university campuses so volatile? How did the imparting of knowledge lose its sense of stability, moderation, and continuity?

## II. Searching for the Source of Study Motivation

The cry of “education crisis” rang loud and the heated debates over “rethinking education” raged on. There were policy errors. There was a shortage of funds. Everybody had a different theory. Nobody knew who was right.

Social psychology maintains that motivation is the key psychological element that causes and sustains individual activities and is what makes the realization of certain goals possible. Generally speaking, one needs to be motivated, and it is this motivation that governs one’s behavior. When people have certain needs, the brain produces a kind of stimulant that causes emotional agitation and tension which turn into a kind of internal driving force or motivation. Because motivation and behavior are inseparable, we can trace one’s motivation from one’s behavior. If we understand the motivation process, we will be able to understand and predict human behavior.

Modern education maintains that students are not only the passive recipients of the impartation of knowledge and ability but are also the active participants in learning and understanding. From the standpoint of “learning” and “knowing,” the students are active participants. From the standpoint of “being able to learn” and “wanting to learn,” it is even more obvious that they are active participants. When the students learn and understand, two subsystems, namely, the cognitive system which is made up of intellect factors and the motive system which

is made up of non-intellect factors, are at work simultaneously and in concert. According to the psychologists, as people age, their ability to learn will have less and less to do with the intellect factors but more and more to do with the non-intellect factors. Human creativeness requires a minimal level of intelligence (that is, an average IQ) and after meeting this prerequisite, whether one becomes creative or not will depend on the non-intellect factors. So far as the college students are concerned, because of their age, it is definitely the motivation subsystem of non-intellect factors that plays the decisive role in their learning. This motivation subsystem includes interest, emotion, and consciousness, and personality and so on. It is this subsystem that starts, sets the direction, sustains, and regulates the process of learning and understanding. It is comparable to a system that switches on and energizes learning and understanding.

If we understand this, we should not blame the campus disturbances on social conflicts and environmental constraints. This article attempts to find out what is wrong from the sociological and psychological perspectives.

## III. The Sociological and Psychological Perspectives

The questionnaire-type polls employed in sociology have their natural limitations. They gather information from the subjects being polled about themselves, and seldom are the responses objective. This is especially true in a purely subjective issue like learning motivation. According to a survey by China People’s University on the nature of the Chinese people, how people perceive themselves is very different from how they perceive others (see table below). One often rates oneself higher than others. Constrained by this kind of social psychology, the results of these polls are often unreliable, or the truth may be just the opposite of what the data show. For this reason, when we probe into the college student’s learning motivation, we can only try to prove the converse based on the principle of reversibility between motivation and behavior. Our tool is Maslow’s doctrine of potentiality in humanist psychology.

Order of Importance	Ideal (percent)		Reality (percent)	
			Yourself	People Around You
First place	Character 28.8		Character 28.8	Money 22.5
Second Place	Knowledge 30.6		Knowledge 18.0	Power 16.7
Third Place	Health 16.2		Health 17.6	Position 8.1

Maslow maintained that, although society and culture have an impact on people, human strength itself is the most important factor. Everybody has his intrinsic value. It is this natural, intrinsic value that motivates people to actualize it through different channels, and this is what leads to social activities. Based on this principle, Maslow separated human motivation into five levels and developed the “level-of-needs theory.” He summed these

five needs into three categories: Primary survival needs, intermediate social needs, and advanced spiritual needs.

*1. The contradictions of "advanced spiritual needs."*

"Advanced spiritual needs" refer to the need for self-actualization in the level-of-needs theory. They are the psychological needs in the process of human maturity, development, and utilization of potential. From the Marxist standpoint, it is the need to make sacrifices for the sake of human society and for communist ideals. Strictly speaking, only a handful of historical figures have succeeded in actualizing this supreme human motivation.

In China's history of education, there was once a social environment where "advanced spiritual needs dominated all human behaviors." It was a time when much emphasis was put on the role of ideology, belief, and world outlook in governing human behavior. It molded the souls of a generation of people who were ready to give their lives for the communist cause.

Meanwhile, the ideological work of reform has swung to the other extreme: To "liberalize" in "liberalization" has come to mean "get rid of everything." Total rejection of the propagation and pursuit of lofty beliefs has resulted in the collapse of the whole people's spiritual mainstay. In its place, we have widespread individualism and the distorted idea of "self-actualization."

The discussions of emancipation of individuality, self-planning, and self-perfection gave birth to the abnormal idea of "self-actualization" on the university campuses. This idea of self-actualization is to look at everything from one's own point of view and to trust one's own feeling; it maintains that self-actualization means doing whatever one wants to do. This belief that one should do what one wants to do and ignore all standards that limit and constrain is manifested in the "epidemics" of the time: Everyone follows the tides of the era and tries to keep up with what is fashionable. On the campuses, there are waves of "fads" and "crazes." The fact of the matter is this is a misinterpretation of self-actualization. It is an excuse to dodge the course of history and the needs of human social development.

This kind of contradiction of "advanced spiritual needs" is the root cause of the precariousness of the campus situation.

*2. The practical conflicts of "intermediate social needs."*

"Intermediate social needs" include the need to belong and to be loved and the need to be respected. The former is referring to social acceptance and the latter to social understanding. For the college students, as "social beings" who want to be a part of society and to plant a foothold in society, this is a fairly high level of human motivation.

In the few years after the Cultural Revolution, because there was a scarcity of qualified people, college students were treasured by society to the point that they were

crowned with the halo of "proud sons of heaven" and other glories. This social condition nurtured in the students a sense of self-conceit. They made themselves out to be society's darlings, and, with insufferable arrogance, they demanded that society be changed to suit them. Little did they know that, to ensure the normal functioning of society's mechanisms, it is they who must strive to adjust to society. Amid the conflicts resulting from the attempts to change society, a few Chinese college students rose with force and spirit, but most became dejected and downcast.

The college students' relatively extensive knowledge and modern ideas give them a greater sense of social responsibility. This is what is known as "the greater the knowledge, the deeper the concern." They talk incessantly about Western democracy; they would jump with joy or sink in deep sorrow over a ball game. But they have no commitment to a correct political belief. They ignore China's conditions and present situation. This bitter contrast between their emotion and intellect is reflected in the "student strikes" and the students' taking to the streets to "cry out bitterly about their patriotism." When they suffer a setback despite their "good intentions," intellectually, they are upset; psychologically, they are at a loss.

After a while, there arose a widespread feeling that these "student strikes" were for fun and not to be taken seriously. This is the result of the practical conflict of "intermediate social needs."

*3. The instinctive display of "primary survival needs."*

"Primary survival needs" coincide with physiological and security needs. As the school of behaviorism explains it, physiological needs, in their broad sense, include the dual needs of sustaining and propagating life and of physiological satisfaction and enjoyment. Physiological needs are the most basic form of motivation, above which men as living organisms cannot rise. But for the college students who reflect the nation's character and style and who are a relatively well-educated group, their "primary survival needs" apparently dominate all other motivations—this clearly is the sorrow of China's present and future.

Shrouded under "the theory on the futility of education," the campuses take on a new look: Students drop out to go into business; people rush to spend unearned money; they live a hedonistic lifestyle with no urge to better themselves; they let courtship sap their will to make progress. What the college students emphasize in vocation and personal value are their personal lives and material well-being; they have urgent needs for "tangible benefits."

In the wake of the "introduction" of Freudianism and amid the clamor for emancipation of human sexuality, "sex" is no longer a deep, dark secret. Today, the "the affairs of the country" have turned out to be the thick cloud of "sex education" that envelopes the college students. Surveys showed that 85.6 percent of the college

students are romantically involved or are considering getting involved; 95 percent of these lovers are not serious about their affairs. This is a quantitative description of the "love fad." "Panic-buying" is supposed to be a good sign that the products are selling well, but once it becomes the "trend," it becomes a negative element that undermines social stability. Similarly, when "love" becomes "trendy," many will imitate and join the crowd, and many will victimize others or be victimized in these one-sided or mutual flirtations.

The study of "instincts" once triggered a social psychology revolution. But now the concept is frowned upon, because social psychologists have discovered that the concept of "instincts" blots out the noble social

attributes and blurs the distinction between man and animal. As for today's college students in China, "instinct" has once again become the fulcrum that balances their spiritual condition.

Maslow maintained that a social condition is normal only when the need motivation has reached the fourth level (the need for self-respect.) But as analyzed above, the Chinese college students have minimal human motivation at this point. This is the root cause of their low learning motivation. Passivity is a problem that urgently needs to be dealt with during the development of China's educational undertaking and is also a new subject to be tackled by all educators.

**NATIONAL AFFAIRS, POLICY****Suggestions for Improving Circulation of Capital Goods**

90CE0122A Beijing JINGJI LILUN YU JINGJI GUANLI [ECONOMIC THEORY AND BUSINESS MANAGEMENT] in Chinese No 2, 28 Mar 90 pp 66-69

[Article by Zhuo Chen (8981 2525) and Zhang Guotong (1728 0948 6639): "Suggested Policies for Improving and Rectifying Circulation of Capital Goods"]

**[Text] I. The Circulation Sector Must Be Cleaned Up.**

Industrial consumption in 1987 was approximately 789.3 billion yuan. Of this figure, 269.3 billion yuan worth of material goods were consumed during the production of rural agricultural products; 520.0 billion yuan worth of material goods were consumed during the production of industrial products; and 184.7 billion yuan worth of material goods were consumed by the building trades. Among all investments in social fixed assets, 99.7 billion yuan were spent for equipment, tools, and instruments. The latter three items accounted for a total of 804.4 billion yuan, which was the limit of the Ministry of Materials' jurisdiction. Net sales in the materials system that year reached 124.8 billion, or about 15.5

of the limit of the Ministry of Materials' jurisdiction. Quite clearly, the materials system is not large in comparison with the supply of capital goods, which shows that the materials system has not been able to perform very well its function as the primary channel of circulation. Total commercial activity of the materials system is insufficient to stabilize the overall situation regarding the circulation of capital goods used for production and construction. Per capita sales by the materials system in 1987 averaged roughly 170,000 yuan, while the figure for per capita sales by the materials system in medium-sized cities was about 400,000 yuan. When one bases one's calculations upon these standards, it appears that the one million workers and staff in the system under the Ministry of Materials should shoulder the burden for circulation of 400 billion yuan in capital goods. Why has this level not been reached? It is because the party, the government, the military, private citizens, and schools have all become involved in commercial activity, which has caused goods to become scattered. If resources are plentiful, it is good for them to flow through many different channels, but if resources are scarce, it is not good if this occurs, but, in fact, bad. When resources are in short supply, whoever can obtain resources is assured of getting rich, and the more and the sooner one obtains resources, the richer one becomes. If we do not purify the channels of commodity circulation by restricting the flow of capital goods to materials enterprises within the Ministry of Materials system that are under the system of ownership of the whole people, but instead allow the party, government organs, industrial enterprises, peasants, schools, and individual workers to trade in capital

goods, it would be tantamount to handing out social wealth on the basis of private friendship and connections. In reality, we would be allowing (intentionally or not) a few people to usurp more than their share of national income.

Would it stifle the circulation of goods and materials if we only allowed materials enterprises within the Ministry of Materials system that are under the system of ownership by the entire people to trade in goods and materials? Would it encourage bureaucratic practices within materials enterprises? This article takes the position that this will not happen as long as we implement a legal system and systematize things. One reason is that, apart from the commercial operations of materials enterprises that are within the Ministry of Materials system and are under the system of ownership by the whole people, we are also going to allow producers to market their products directly, and we are going to allow consumers to buy directly from producers at state-designated markets. This will make it impossible for materials enterprises to monopolize the market. A second reason is that the state is going to organize a capital goods market, and will make all capital goods be traded in the marketplace. This will make materials enterprises the primary channel for commodity circulation, but not the only one. A third reason is that we will require the materials enterprises in their commercial operations become specialized and more oriented toward service. We will not allow a single enterprise to engage in overlapping commercial operations, i.e.—the trading of more than one kind of capital good. This applies especially to steel, nonferrous metals, automobiles, lumber, coal, coke, rubber, and plastics. A fourth reason is that we will require that the service ratio of materials enterprises vis-a-vis their local area and their own industry be examined in order to maintain the correct orientation of the commercial operations of materials enterprises. Will this give rise to special privileges for material enterprises? As long as we stipulate that all trading must be carried out in the marketplace, all resources will be herded into the market. In the marketplace, the buyer and seller are equal. However, buyers who enter the marketplace must line up in the order prescribed by the state plan and by industrial policy, and the amount they are allowed to buy must be subject to certain restrictions. When we have succeeded in establishing an orderly market such as this, it will be impossible for materials enterprises to enjoy special privileges. They can only enjoy special privileges if the market is in chaos and trading goes on in private, as was the case in 1988. This was came about because the system itself allowed for nonmarket trading.

**II. Trading Must Take Place in the Marketplace.**

The market for capital goods in 1988 was in total chaos. All sorts of companies had come into existence and wreaked havoc by squeezing out profits. This caused prices for capital goods to skyrocket and forced large enterprises to suspend production as they waited for materials to arrive. This came about because trading was

taking place outside the marketplace, and the process was not open. Factories that produce material resources which are in short supply can behave like merchants and wait for the highest bid. Those who, through all sorts of connections and tactics, manage to obtain resources, then invent myriad artful devices to extort and blackmail users. The situation has proven to be a breeding ground for illicit party practices and corrupt government. Presently, peasants who go into the cities to sell agricultural and sideline products must go to designated markets in accordance with the regulations of municipal people's governments. They cannot set up a stall anywhere they please, but capital goods can be traded in any place, by any person, at any price. It has gotten to the point where production enterprises disregard compulsory state plans for resources and choose instead to trade their resources privately. This type of phenomenon is most certainly not characteristic of a planned commodity economy, but of an out-of-control anarchic commodity economy. For this reason, we must clearly state whether, under the current circumstances, we intend to control the quantity of materials, or the direction in which they flow; whether we intend to regulate materials themselves, or the market; whether we intend to regulate producers or buyers. The following policy options are the only ones open to us: All key capital goods must be traded in state-designated markets. The seller enters the market freely, but buyers enter the marketplace only after being approved, and the amount they are allowed to buy is subject to certain restrictions. People may ask whether we are not regulating enterprises to death in this manner. This article does not think so.

The vitality of an enterprise is determined by the enterprise's internal operating mechanism and external circumstances. If the trading of key capital goods is to be restricted to the marketplace, the only thing that is required in order to facilitate state oversight of the trading process is that enterprises buy and sell at a specific location. This does not impinge upon the operational autonomy of enterprises. Naturally, illegal activity in the trading process must be eliminated. No nation will condone illegal trading activities.

Some people feel that enterprises must depend on their products to bargain for the things that enable them to engage in production, and that it would impede trade between enterprises if all trade had to be carried out in the marketplace. This article does not feel this is so. Enterprises even go through a third user of their products to bargain for the things that enable production, which is precisely an indication that a market is lacking. This is practically a retreat to the mode of exchange which preceded the advent of currency. This is not the direction we should be heading. It is not the way out of our current difficulties. The only way out is to see that all trading activities go on in the marketplace. Only in this way can there be market competition; otherwise, illegal activities will inevitably occur in private trading. If we do not implement market trading, the state will have a hard time maintaining a grip on the flow of resources

and will find it difficult to regulate and control the market. With respect to barter trade between provincial and municipal governments, this cannot be viewed as common market trading. It must be considered from a different frame of reference, but the transparency of this type of trade should be increased.

Some people feel that after market trading has been implemented, enterprises will not be able to obtain resources. This article feels that since ours is a planned commodity economy with an industrial policy, if an enterprise meets the requirements of the industrial policy, it should obtain its rightful resources on the market; it need not pull strings, throw feasts, or give gifts. If an enterprise neither meets the requirements of industrial policy nor possesses any competitive edge within its industry, it should not get so many resources, if any at all. If it uses improper means to get resources, it will violate the state industrial policy and will break party discipline, government discipline, and the law.

Some people feel that it is impossible when there is a shortage of resources to implement market trading, but this article disagrees. Resource shortages are a phenomenon which will continue to exist for a long time in China. After World War II, Japan and West Germany faced resource shortages, but this did not keep them from committing commodity circulation to the marketplace. We should make a greater effort to study their market regulations of the late 1940's. We cannot simply imitate the market models and market regulations which they have in place today. The Common Market, the Organization of Petroleum Exporting Countries, and the Coordination Committee for Export Control (COCOM) are all contemporary markets subject to certain restrictions. Some people feel that wherever there is trading, there is a market, and that a specific location is not needed. We feel that this will not do. Trading of key capital goods must be carried out in a market with a specific location. Right now, the invisible marketplace is a breeding ground for corruption and bribery. We cannot be unclear in our stance regarding this issue, and we cannot look upon it in idealized terms. Some people feel that market trading would entail too much work for government organs. We acknowledge that a lot of work would be required, but government organs will be able to handle it. Market trading involves work in two [as published] main areas: One is the organization of market trading. This is because the market in which capital goods circulate will not arise spontaneously. Market communications must be modernized. Information networks are required. The market must be capable of providing buyers with consulting services. Somebody in one market must be able to find out about conditions in another market so that there will not be swarms of purchasing agents everywhere. We must incorporate all sellers into the market. They could freely choose one or more markets in which to operate, but their presence should be location stable once the choice has been made in order to facilitate the purchasing activities of buyers and to form stable cooperative relationships in the areas

of purchasing and transportation. There is a second area in which much work will be required of government organs. We must establish purchasing procedures and set purchasing quantities. For example, we need to issue purchasing permits and specify allowable purchase limits. Without these measures, it will be impossible to establish purchasing procedures, and we will be unable to enforce price ceilings. There is a third area in which much work will be required of government organs. We must auction off goods and materials that are difficult to distribute and remain on hand after demand has been satisfied. This work, from the State Planning Commission and the Ministry of Materials at the top, on down to planning commissions and materials bureaus at the provincial and municipal level, is being performed every year. In the past, it has been a matter of allocating goods. In the future, it will be a matter of allocating the plan, issuing purchase permits, and making buyers and sellers do their trading in the marketplace. Let us take industry as an example. There are more than 7.5 million industrial enterprises in China, while there are fewer than 10,000 large- and medium-size enterprises. Among the 378 cities throughout China, there are 170 large- or medium-sized cities. The number of large- and medium-sized enterprises for which large- and medium-sized cities are responsible is less than 100. The amount of work involved is not actually all that great. Once the requirements of large- and medium-sized enterprises for raw materials and fuel have been met, the market for the remaining resources can be completely opened up. Resources that are in particularly short supply can be auctioned off. By so doing, we can both assure overall production stability, and allow the market mechanism to fully play its role within a specified scope.

### III. Markets Must Be Divided Into Different Levels and Made More Specialized.

Production of goods and materials in China has begun to reach a large scale. Our nation ranks first in annual production of coal, cotton, grains, cement, and meat products. In order to do a good job of arranging for storage and transportation of such a large flow of goods and materials, we must divide markets into different levels. For items produced in large batches, producers and users can contact each other directly. For items whose users are widely scattered or which are used in regular, cyclical patterns, the reservoir function and organizational function of materials enterprises must be brought into play. Primary wholesaling or secondary wholesaling can be carried out by materials enterprises, while work units can meet unexpected or miscellaneous needs by making purchases at retail stores. For specialty raw and semi-finished materials such as heavy rails, light rails, automobile plate girders [da qiao ban 1129 4731 2647], and steel for bearings and tools, we must establish specialized markets in order to facilitate direct contact between producers and users, and to bring about the formation of long-term, stable cooperative relationships. This would also facilitate the formulation of medium- and long-term plans for the development of specialty raw and semifinished materials.

Dividing the market into different levels will inevitably affect the functions which we assign to materials enterprises, and the way these enterprises are reorganized. Some materials enterprises must take on the duty of storing and disbursing goods and materials on behalf of the state. Some materials enterprises will have to assume the duty of storing and disbursing goods and materials on behalf of provinces and municipalities. Some materials enterprises will have to serve as agents for users, taking care of matters pertaining to purchasing, marketing, storage, and transportation. Currently, the capital goods market is not divided in terms of levels, types, or specialties, and materials enterprises deal in many different kinds of materials. This situation should be changed. Implementing a division of labor will not impede the flow of goods and materials, will not get in the way of contact between producers and users, and will not harm the vitality of enterprises. A division of labor will facilitate the establishment of a capital goods market that has leadership, has organization, has order, and is united and open. In this way, we will be able to make the greatest possible use of the market mechanism in the face of a shortage of resources, and we will be able to set in motion a type of market competition which stays within certain limits. This type of model has room for both a plan and a market; for an industrial policy as well as a commodity economy.

### IV. Sales Must Be Made Public.

Common sense would indicate that it should not be difficult for China to make sales of capital goods public, since capital goods are publicly owned. In reality, however, there are great obstacles. The problem lies in various illegal activities which go on in the process of sales. These activities are the result of incomplete market development, the failure of market competition to take root, and the lack of a legal system. We cannot dream that these illegal activities will disappear after markets have developed to maturity and markets have become fully competitive. We must now pass legislation to force buyers and sellers to clean up their activities in the marketplace, and make the trading process public. We must protect market development, preserve market competition, and suppress illegal activities by increasing the transparency of the circulation process.

To make sales public means to make the quantity, variety, quality, and price of resources publicly known. Even if a person intends to trade one's own products for needed capital goods, this can also be made a matter of public record; there is no reason why anyone should dare not do so. If, in addition to price, anyone demands payment of cash, kickbacks, or even trades for agricultural sideline products, they will naturally dare not make this public, since such activities are illegal. As long as we dare to implement a policy of making sales public, these illegal activities in the circulation process cannot persist.

Some people worry that making sales public will sever contacts between enterprises. This article does not believe this to be the case. Contacts between enterprises

are contacts between producers; there is nothing about such contacts which cannot be made public. Making sales public will not affect these contacts. Contacts between producers and individuals should be carried out when the individual enters the marketplace to make a purchase. A factory should not trade its own products (such as steel, coal, or automobiles) in exchange for agricultural and sideline products needed by its own workers and staff. Only by making sales public can we expose to the light of the marketplace the resources that stagnate in the circulation system, thereby bringing them out of hiding.

#### **V. The Goal of Materials Enterprises Operations Must Be To Improve Concentrate on Service.**

Materials enterprises constitute an intermediate link in the production process. The degree of efficiency or inefficiency of operations in this link does not affect the utilitarian value of capital goods. In this respect, materials enterprises create profit rather than wealth. It should be said that these profits are transferred from industrial production, handed over by the production sector. The standard upon which these transferrals are based should be as follows: if the ratio of funds to profit taxes is equal to the mean value of industry, it is rational. It is not rational if it is too high or too low. If it is too low, the value of funds is lost. If it is too high, materials enterprises would be usurping the profits of industrial enterprises. Because of the special nature of the circulation of capital goods, materials enterprises cannot concentrate solely on making profits; otherwise, the profits of materials enterprises would jump sharply while those of industrial production enterprises would fall very fast. Production of goods and materials in China is currently insufficient. The level of scientific and technological development is too low. Funds should flow first to the materials production sector. It would be harmful to the macroeconomic situation if the profit ratio in the circulation sector were too high. Also, resources are in short supply. Government and enterprise have not yet been completely separated within materials enterprises. Within a certain scope, they enjoy a power of monopoly, and thus, to a certain extent, play a governmental function. Per capita sales in the materials system are extremely high. The industry-wide average is 170,000 yuan per year. In coastal cities it stands at 500,000 yuan per year, and in some cities it has reached one million yuan per year. If we do not place a great emphasis on making materials enterprises become service-oriented, they will become divorced from local production and construction; they will only serve their own big market and pay attention only to big deals and big circulation. If this were to continue for long, purchasing agents from the tens of millions of enterprises in China would again swarm ubiquitously over the land. From a macroeconomic perspective, the rate of circulation of materials cannot be allowed to accelerate too far. Transportation inefficiencies would become more and more severe. Furthermore, materials enterprises would use the materials in their control to swindle users, and speculative

buying and selling would grow worse. If this were to continue for long, materials enterprises would become like the haughty yamen of old.

This article takes the position that, in reference to the form in which value is expressed, when we evaluate materials enterprises we must consider the ratio of funds to profit taxes and the rate of transaction fees. In reference to actual materials, we must evaluate the service ratio. The denominator of the fraction used to describe the service ratio is the quantity of local demand for or consumption of a given type of capital goods. The numerator should be the material enterprise's net sales in its own local area. This is the most sophisticated materials index there is. Transfers between different material enterprises are subtracted from its numerator. In order to raise this numerator, not only must quantity be assured, quality and variety must also be assured, otherwise this index will not rise. This type of evaluation spurs materials enterprises to reduce costs, and it prompts them to place importance upon serving the needs of local production and construction. It is a mistaken policy to require that materials enterprises rapidly increase absolute profits and total sales every year, nor is it a proper policy to link total wages for materials enterprises only to profits and total sales.

#### **VI. Government Regulation of the Capital Goods Trade Must Be Strengthened.**

Enterprises which trade in capital goods are not production enterprises. Many Western countries categorize them under commerce, but in the Chinese context they constitute a separate trade. These enterprises are different from commercial enterprises which deal in agricultural and sideline products, and they are also different from commercial enterprises which deal in consumption-oriented industrial goods. In the past, this trade was absorbed in production enterprises, common commercial enterprises, corporations in which government and enterprise were not divided, and in government organs. It never was established as an independent trade. This is also one of the factors which have caused chaos in the circulation sector this year. This trade is now making an urgent attempt to formulate a series of laws and regulations for itself in order to set norms for its market structure and for the activities of buyers and sellers. This is an important aspect of the effort to create a healthy objective environment for enterprises by means of improving the economic environment and rectifying economic order. No matter whether it is the supply and marketing organs attached to the ministries and state commissions, the supply and marketing organs attached to the provinces and municipalities, the supply and marketing organs attached to enterprises, or the supply and marketing organs in the special zones, all must submit to government regulation of the materials trade. If the materials trade has no legal system or norms, the activities of materials enterprises will inevitably be improper. If no norms are applied to government regulation of the materials trade, the circulation sector will always be in a state of chaos, and it will be impossible to

assure production enterprises a healthy external environment in which production is not interrupted.

### VII. We Must Develop a Shareholding System for Investment and Development

China will have severe shortages of steel, nonferrous metals, and plastic for a long time, and a lot of foreign exchange will be spent for these items. Our focus in developing and investing in materials enterprises must be resolutely concentrated on industries which produce these three categories of raw and semi-finished materials. However, it will be insufficient if we rely only on the two billion yuan at the disposal of the investment and development company under the Ministry of Materials. The investment and trade company under the Ministry of Materials should link up with the specialized parent corporation to issue bonds to the entire nation's materials system. For some upgrade projects, we could also issue stock nationwide and allocate resources and bonuses on the basis of stock holdings. By means of financial, investment, and development activities, materials enterprises and production enterprises may form entities with combined interests. This would promote deepened reform of materials enterprises.

#### Enterprises Chosen as Double Guarantee Units

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20 May 90 p 1

[Article: "State Selects 234 Key Backbone Enterprises as 'Double Guarantee' [Units]; State To Provide Enterprises with Main Factors of Production, Enterprises Guarantee To Turn Over Profits, Taxes, and Goods Earmarked for Unified Distribution"]

[Text] After study and research in consultation with various ministerial committees and local areas, the State Planning Commission and the Production Committee of the State Council selected 234 key backbone state enterprises as "double guarantee" units. The announcement regarding double guarantee units was passed by the State Council and sent on to departments and areas for enactment.

The so-called double guarantee system means that the state shall provide the major factors of production to enterprises while the enterprises guarantee to turn over to the state profits, taxes, and goods earmarked for unified distribution. The state's principles in selecting enterprises as double guarantee units were: those that normally engage in production; key producers supporting state industrial policy; those that occupy decisive positions within industries and have a big influence on the national economy and the people's livelihood; and those that are issued a large proportion of state directed production targets, have good economic returns, and earn a lot of foreign exchange from exports.

In 1990 the mandated gross industrial output value of the 234 double guarantee enterprises selected by the State Council will be 192.6 billion yuan, or 46 percent of

the output value of medium- and large-scale enterprises nationwide, and 29.7 percent of budgeted industrial enterprise output value. They will turn over to the state 38.5 billion yuan in profits and taxes, or 35.2 percent of the gross profit taxes turned over to the state by enterprises considered in the budget.

According to the demands for double guarantee units, the main responsibilities of such enterprises to the state are: in 1990, to turn over to the state 38.5 billion yuan in profits and taxes. The goods earmarked for unified distribution to be turned over are 323 million tons of raw coal, 136 million tons of crude oil, generation of 367.1 billion kilowatt-hours of electricity, 26.17 million tons of steel, 13.86 million tons of chemical fertilizer, 80,600 vehicles, and 6.95 million kilowatts of electric power generation equipment. At the same time, the state shall oversee distribution of products falling outside of directed planning. It shall determine locations and volumes but not prices. Regarding products for which enterprises will increase production under cooperative or pooled resource relationships with units outside the plan, they shall use newly increased products as compensation according to percentages set in original agreements.

At the same time, the state and local areas shall provide to enterprises energy resources, raw materials, motive power, funds, and other major factors of production. In terms of providing electric power, they intend to ensure electric power to double guarantee units by correspondingly increasing electric power resources under state monopoly. In principle, double guarantee enterprises which use high-priced state electricity to make unified distribution products will not use the method of high input [prices leading to] high output [prices]. The enterprises themselves will analyze and resolve this issue. This will be very hard for them if there is a relatively large proportion of products made with high-priced state electricity is earmarked for unified distribution. After cases are investigated by departments in charge and verified by the State Planning Commission, they can, according to the price differences, shift from sales at parity prices to sales at negotiated prices for a corresponding proportion of unified distribution products.

Regarding raw material supplies, the channels for raw material distribution and supply to double guarantee enterprises shall not change. The state shall only ensure minimum raw material supplies to double guarantee enterprises. There shall be no withholding of materials and goods at every level by any double guarantee enterprise that receives state distribution. Departments and local areas must ensure supplies of secondary and tertiary goods and materials needed by double guarantee enterprises. In principle, raw materials distributed under state directed plans shall only ensure that mandatory plan targets are met. In 1990, goods and materials distributed to double guarantee enterprises under directed plans shall be based on 1989 figures. Because there is a corresponding increase in raw materials when directed plans increase, departments in charge must

handle any shortages that arise. Regarding refined oil needed by double guarantee enterprises, areas concerned shall be responsible for supplying it through original channels based on targets checked and ratified in the 1989 plan. Regarding the coal that these enterprises need, as key distribution points and orderers of goods, departments concerned shall study and examine the situation and ensure that commitments are honored. The Ministry of Commerce shall arrange for the cotton resources under state-directed plans needed by double guarantee enterprises in the textile industry. In harnessing motive power, the state must give priority to ensuring the needs of double guarantee enterprises. Circulating fund loans needed by double guarantee enterprises shall be given priority support by the People's Bank and specific banks concerned.

The State Planning Commission and the Production Committee of the State Council noted that they, together with individual concerned departments of the State Council, will distribute the factors of production needed by double guarantee enterprises after making examinations and verifications. Areas and departments concerned must enhance supervision and investigation of double guarantee enterprises so that they fulfill state plans, implement major external factors of production, and provide goods under contract. Statistical departments shall please notify double guarantee enterprises when they have fulfilled state directed plans for goods earmarked for unified distribution and implemented major external factors of production. Enterprises which have rather poor records fulfilling state-directed plans yet the state basically has ensured them external factors of production must be put on notice. Departments in charge shall help them find ways to ensure fulfillment of state directed plans. Areas and departments concerned must have a functional division of labor, be responsible, and help double guarantee enterprises quickly resolve production problems. Double guarantee enterprises also must improve in-house management, broadly deepen development of "double increase and double economy" activities, and ferret out their potential. In 1990 they must strive to reduce consumption quotas of energy and major raw materials to the lowest levels ever, improve economic results, work hard to fulfill state directed plans that they have undertaken for the year 1990, and contribute to overall economic stability.

## PROVINCIAL

### 'Cocoon Wars' Reemerging in Guangdong

90CE0304A *Guangzhou NANFANG RIBAO* in Chinese  
3 Jun 90 p 1

[Text] The phenomenon of silkworm cocoon prices being forced up due to illegal trading practices has begun to re-emerge in a few areas of Guangdong, according to a recent circular issued by the provincial government. While the circular holds that the silk market is more orderly this year than it was in 1989, it notes that "a few silk factories and cocoon dealers have been meddling

with procurement activities." The circular requires those at all levels of government to enforce the "State Council's Urgent Notice on Purchasing Silkworm Cocoons and Unifying Export Administration and Management" [22 September 1988]. Violators of the State Council's regulations who speculate in cocoons, force up cocoon prices, and induce panic purchasing will have their silkworm cocoons confiscated and the proceeds will be entered into the state treasury. The circular restricts corporations and procurement agents subordinate to the Guangdong Branch of the China National Silk Import and Export Corporation to buying locally raised cocoons. It stipulates that all purchased cocoons and processed silk be handed over to the Branch and forbids any partial diversion of the goods or instances of persons "taking the law into their own hands." The circular emphasizes that silkworm cocoons fall into the category of goods for which the State has set fixed prices and prohibits anyone from raising prices—either overtly or covertly—without authorization. Prices will be determined by the departments concerned according to quality.

### Guangzhou's Economy: Difficulties Ahead, Countermeasures

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[WIDE ANGLE] in Chinese No 210, 16 Mar 90  
pp 51-53

[Article by Yang Chien (0111 1696): "Guangzhou: A Harder Year Lies Ahead—Economic Difficulties and Countermeasures"]

[Text] In 1989, the CPC pursued a tough policy of financial and credit retrenchment and adopted strong measures to control the nationwide level of effective social demand. In addition, there were the shocks caused by the 4 June disturbance in Beijing and the large scale screening and reorganization of corporations. Many enterprises faced dropping economic returns, and workers and staff members saw their income growing at a slower pace or even going down. On the other hand, revolving funds became scarce, and enterprises found themselves landed in a strange bind of "debt chains." Consequently, markets shrank precipitately throughout the country as consumer demands weakened, and with a sluggish market, production slowed down and prices plummeted. Under the influence of this general climate, Guangzhou's economy also found itself in a tight spot. Looking from Guangzhou to the entire country, we can see where some of the problems lie.

### Sharp Decline in Guangzhou's Industry and Commerce

As shown by statistics, Guangzhou's industrial production began to drop month after month in the latter half of 1989 and registered a negative growth from September on. In January 1990, Guangzhou's total industrial output value dropped more than 20 percent from the same period last year; exports dropped nearly 40 percent; and total volume of retail sales dropped two

percent. A considerable number of enterprises were running at half capacity or brought to a standstill. It is worth noticing that Guangzhou's economy dropped far more than the national economy as a whole. The drop in industrial growth rate from the 1988 peak to the 1989 low point was 40 percent in Guangzhou, and 29 percent nationwide; the drop in total volume of retail sales was 50 percent in Guangzhou, and 30 percent nationwide; and retail prices rose 40 percent in Guangzhou, but the national average rose only 13 percent.

People of the economic circle maintain that the causes of Guangzhou's economic landslide are closely related to Guangzhou's position in the economic sphere and its internal economic structure and product mix.

#### Consequences of Relying on Large Investment to Maintain High Growth Rate

Mainland China's reforms and opening to the outside world have greatly stimulated economic activities. In the past decade, Guangzhou has in fact gradually resumed its past role and functions as a transit port and become south China's largest commerce and trade center, and its economy is quite obviously of the exchange type. About 40 percent of Guangzhou's products are sold to other parts of the country and 20 percent directly exported. Most of the raw and semifinished materials needed for production come from the interior or are imported. About a third of its purchasing power comes from the outside. Therefore, changes in domestic markets have a very great influence on Guangzhou's economy. The protective policies adopted in various other parts of the country to subsidize the marketing of local products has also hindered sales of goods from Guangzhou, thus adding to the difficulties of Guangzhou's economy and production. Judging by the path of its past development, the rise-and-fall curve of Guangzhou's economy has basically coincided with that of the national economy.

The inherent law of Guangzhou's economic development is that of a congenitally deformed and undernourished child who needs heavy doses of tonics or investment to make up for the constantly falling output in order to digest the constantly rising cost and maintain the enormous administrative expenses. Therefore, a change in Guangzhou's industrial growth rate usually relates to a change in investment growth three years ago. In 1985, Guangzhou's industrial output grew by 22 percent, and the main reason was closely related to a 40 percent increase in investment in 1982. In 1985, industrial investment increased by 60 percent, and correspondingly industrial output increased by 26 percent in 1988. The law is, roughly when investment increases by two percentage points, industrial output value will increase by 1 to 0.8 percentage points. According to the above ratio and periodic change, it is estimated that Guangzhou's industrial output growth rate will drop sharply this year, by about seven to eight percent. If the influence of the sluggish market, shortage of funds, and other objective factors are taken into account, the growth rate will be even lower.

#### Low Product Quality, Lack of Competitive Power

The lack of coordination in its industrial structure and the low competitive power of its products are Guangzhou's problems which have long defied solutions. In the past few years, Guangzhou's industrial production cost has increased at an annual rate of 20 percent, but the product mix has remained predominantly traditional products and low- and medium-grade items. Take 1985, a year of better economic performance, for example. The value of new products produced by the city-owned industrial system accounted for only 9.7 percent of Guangzhou's total industrial output value for that year. Of the city's 981 products with an annual output value of 500,000 yuan or more each, only 16.8 percent are high-grade products, while nearly 30 percent are low-grade products. Moreover, as a whole, Guangzhou's enterprise management standard is quite low, lacking the ability to meet market changes, and there is also much to be desired in product quality, grade, and packing. Therefore, in an adverse situation, the products are often unable to compete, and large quantities of goods pile up in stock, leading to a series of problems.

Based on Guangzhou's economic trend in the latter half of 1989 and at the beginning of 1990, it is predicted that the downward slide of Guangzhou's economy may ease up by the middle of the year, and the economy will then gradually go up, but the rebound will not be anything significant. In the next three years or so, Guangzhou's economy can only maintain a state of slow development.

The overall national economic climate is unlikely to change in 1990. The central government will continue to pursue the policy of tightening control over finance and credits. Investment will stay at last year's level. Institutional purchases will continue to be strictly controlled. The trend of low-speed national economic growth will continue. Moreover, the central government will expand the scope and proportion of the mandatory plans, strengthen planned regulation and control, and adopt a "double guarantee" policy toward some of the major key enterprises, under which the state will provide the enterprises with essential production conditions and transport facilities, and the enterprises will guarantee to turn over to the state profits, taxes, and products under unified state control. However, among 234 "double guarantee" enterprises designated by the state, only one, the Petrochemical General Plant, is located in Guangzhou, which means support from the state policy will be limited.

#### Guangzhou's Economic Situation Will Be Grimmer in 1990 Than in 1989

The present economic retrenchment is compulsory. The sluggishness of the market is also forced. If the economic growth rate is too low, it will cause the local economy to go out of control. According to estimates, Guangzhou's industrial costs will increase by an average of more than 20 percent each year, and to keep the profits and taxes to be turned over by the enterprises to the state from

dropping, it is necessary to maintain a 10-15 percent growth rate in total industrial output value. This is what it takes to guarantee the normal functioning of government and social services. When enterprise profits and taxes go down, government revenue will be greatly reduced, which will have a very adverse impact on society as a whole. It is learned that the 1990 economic planning targets set by the Guangzhou Municipal Government envisions a growth rate of just seven percent in the city's total industrial output value. Therefore, 1990 will be an extremely difficult year for Guangzhou's economy, and the economic situation will be worse than in 1989. Under the circumstances, when the retrenchment policy conflicts with social stability, the local government, for the sake of the overall interest, is likely to breach some policy restrictions to maintain political stability. It is reported that the Guangzhou Municipal Government recently called for the banks to use some of their money to buy industrial products in order to keep some nearly bankrupt enterprises in operation. Under the present system, the income of workers and staff members is fixed. No matter how an enterprise performs economically, the income of workers and staff members is guaranteed. So long as there is a way, an enterprise will always try to pay more wages and bonuses, and will even borrow from banks to guarantee the income of workers and staff members. Thus, social demand is always maintained at a certain level. In other words, the contradiction of total social demand exceeding total supply can never be resolved.

As south China's largest port city, foreign exchange earnings from exports account for a considerably large portion of Guangzhou's financial revenues. However, owing to policy restrictions, exports in 1990 cannot become the major driving force to promote the city's economic growth as a whole.

#### **Guangzhou's Unprecedented Capital Shortage**

As shown by past experience, exports of industrial products are not as profitable as domestic sales. The reasons include the limitations of the present foreign trade system and such factors as low labor productivity, high labor cost, and unattractive product quality and grade for the international market. But the most crucial reason is the exchange rate of the renminbi, which is too high. That's why enterprises have been unenthusiastic about export. However, in the past the enterprises could retain a small portion of the foreign exchange earned from export and use it to import consumer goods in short supply in the domestic market. The imported goods were then sold at speculative or adjusted prices, which were higher than the listed prices, and the profit was used to offset the loss from export. Thus the enterprises were still able to maintain a certain growth rate in export.

At the end of 1989, China revalued the exchange rate of the renminbi downward by more than 20 percent, which was supposed to have some effect in stimulating export. However, external debt servicing will hit a peak this year, and nontrade foreign exchange earnings have

plummeted because of last year's Beijing disturbance, which has dealt a serious blow to tourism and greatly reduced the number of foreign tourists. Therefore, in order to repay foreign debts, the state will strictly control imports. The foreign exchange retained by enterprises from exports will become useless to them. As they cannot make up for their export losses with imports, the retained foreign exchange can only tie up their funds. Therefore, the enterprises remain unenthusiastic for export, and the stimulating effect of the exchange rate readjustment is virtually canceled out. The fact that the prices of regulated foreign exchange in Guangzhou have not gone up sharply as they did in the past following readjustment of foreign exchange rates is proof. However, this year the central government has again increased the amount of foreign exchange to be turned over by the local governments to the state. For this reason, Guangzhou City will have to try to increase exports and maintain a certain growth rate. To achieve this goal, the government will give some subsidies to enterprises exporting at a loss. However, because the state has also increased the local governments' revenue turnover tasks, Guangdong Province will turn over an additional 1 billion yuan or so to the central government in 1990, and Guangzhou, with province-level financial decision-making authority, will have an additional burden of about 600 million to 800 million yuan this year, adding the increased amount to be turned over to the state and the decrease in income. Therefore, Guangzhou will be in an unprecedented financial strait this year and cannot possibly use a large amount of money out of its revenues in support of exports.

#### **Li Peng, Wang Zhen, Tian Jiyun Went South Repeatedly To Boost Morale**

To sum up, Guangzhou's economic prospects in 1990 are not very bright. Whether Guangzhou can extricate itself from the economic predicament depends heavily on the overall national climate. Judging by the repeated morale-boosting trips to south China by Li Peng, Wang Zhen, Tian Jiyun, and other important central government officials, it seems that the central government is applying "tight but not inflexible" control over the special zones and open coastal cities, allowing them to have more market regulation than the rest of the country under the state's planned guidance.

Countless ties have already been formed between the economies of Shenzhen, Zhuhai, and the Zhujiang Delta and the economy of Guangzhou. The mutually complementary nature of the economies in this region is becoming increasingly obvious. If Guangzhou City can seize the opportunity and adopt appropriate measures in good time, it is not impossible to find a way out of its present difficulties. If it does, plus the use of outside capital, the economy of the entire area will quickly regain its vigor and vitality.

It is reported that at the beginning of the year the Guangzhou Municipal Government held a plenary meeting to study and make plans for economic work in

1990. It was decided that efforts should be concentrated on three tasks in 1990: The first is to continue to carry out planned regulation and control according to the central government's unified plan, including control of the scale of investment in fixed assets, control of consumption funds, and control of price increases. The second is to concentrate financial and material resources, give priority to supplying the key enterprises, readjust the industrial structure and product mix, strengthen enterprise management, and improve economic efficiency. The third is to adopt a suitable policy of social guarantees. This writer holds that in view of the present situation, to put an end to the economic decline, the key lies in pursuing a policy of "appropriate regulation and control, development of markets, and fair competition" based on Guangzhou's actual conditions.

At the same time, there are also people in Guangzhou who maintain that in economic development it is difficult to expand reproduction without a certain scale of investment. They hold that regulation and control should be kept within appropriate limits, and that enterprises should be encouraged to carry out technological transformation, actively adopt new technologies and equipment, and, in the light of market demands, improve the product mix and upgrade the products. Moreover, to invigorate the economy of an open city like Guangzhou, it is necessary to have a flexible price system. Rigid price control will hinder a city's accumulating function, hurt the economy even more, and directly affect the local revenues. Therefore, the appropriate use of currency to create extra revenues will directly increase the people's income and also achieve the goal of invigorating the economy.

For the development of markets, first, enterprises should be encouraged to adopt various forms and kinds of sales-promoting measures to sell their products in domestic markets; second, the government can buy the idle foreign exchange from enterprises and use it on a selective basis to help small- and medium-sized enterprises, organize imports of equipment and some consumer goods, and spur and expand exports through the imports.

The implementation of policies in favor of certain enterprises is bound to produce a series of negative results. Some people maintain that such policies must be used with caution and that fair competition should be encouraged. Of course, appropriate support should be given to some large and medium-sized key enterprises which have a bearing on the city's economic lifelines, but such support must not be given indiscriminately. The reason is that owing to all kinds of structural causes, the large- and medium-sized enterprises are extremely inefficient.

According to statistics, from 1979 through 1988, state-owned industrial enterprises needed 79.87 yuan to produce 100 yuan of output value; collectively owned enterprises needed 45.88 yuan; and other types of economic organizations needed only 44.41 yuan. State-owned enterprises realized more than 29 yuan of profits and

taxes per 100 yuan of capital; collectively owned enterprises, more than 27 yuan; and other types of economic organizations, more than 39 yuan. The writer feels that in the present situation of money shortage, excessive concentration of funds to preserve the state-owned enterprises is bound to throw the entire economy into a vicious cycle, and that drastic actions should be taken about the state-owned enterprises that are sustaining heavy losses and whose products have no market, either expanding the contract responsibility system or selling a part or all of their properties to foreign investors to pull them through the difficulties. We can no longer waste scarce capital to protect backwardness. At the same time, it is necessary to set up a number of funds to support the development of small enterprises, town and township enterprises, or private enterprises to promote moderate competition and stimulate the market.

Lei Yu [7191 1342], standing committee member of the Guangzhou Municipal CPC Committee and vice mayor, said at an economic work conference: "The series of difficulties confronting Guangzhou's economic development since the last year will not subside in a short period of time, and we must be prepared to face even greater difficulties. About this, we must have a clear understanding and be prepared for the worst." As far as Guangzhou's economy in 1990 is concerned, the remark had hit the nail on the head.

#### Hebei Governor on Readjusting Product Mix

90CE0256A Beijing JINGJI CANKAO in Chinese  
23 May 90 p 4

[Article by Yue Qifeng (1471 1477 1496), Governor, Hebei Province: "Solidly Promote Product Mix Readjustment; Improve Understanding, Seize Opportunities"]

[Text] Readjusting the product mix well is an important part of improvement and rectification. It is of truly great significance and strategic importance in resolving contradictions in the industrial mix accumulated over the long term, overcoming the present market sales slump, improving economic results, and promoting sustained, stable, and coordinated national economic growth. We must be determined, pay attention to realities, and get results.

#### Further Strengthen Feelings of Urgency and Consciousness About Product Mix Readjustment

Since improvement and rectification were started, in particular since the Fifth Plenary Session of the 13th CPC Central Committee, Hebei has made certain progress in readjusting its product mix. Stable growth has been maintained for important foreign-exchange earning products and those related to the national economy and the people's livelihood. The pace of creating fine quality products and new product development has speeded up. This has had a positive effect on

resolving problems brought about by market sluggishness and on promoting stable growth in industrial production.

Nevertheless, the irrational product mix situation accumulated over the years still has not fundamentally changed. For example, these problems are quite outstanding: There are many primary products. Complete equipment and competitiveness are poor. Fairly many high quality products are very well-known. There is a low degree of self-sufficiency for goods in great demand or short supply. In 1989, the percentage of top quality steel output by enterprises in Hebei's metallurgical industry that keep separate accounts among total steel output and the percentage of top quality finished steel products among total finished steel products were 5.2 percent and 3.1 percent, respectively. In the clothing industry, finished textile product output value was only 15 percent of Hebei's textile industry's total output value. In 1989 the amount of social commodities brought into Hebei [from other provinces] was 7.16 billion yuan. The amount [of social commodities] outgoing in the same period was 3.82 billion yuan. The ratio of [social commodities] brought in to those sent out was 1:0.53. Under present sluggish market sales conditions, contradictions such as serious product overstocking, funds shortages, and low economic results more and more frequently occur. Some enterprises have halted production or nearly so. By early April 1990, reserves of industrial finished goods on provincial accounts rose to 4.23 billion yuan, up 18.2 percent over 1989, and up 74.1 percent over the same period in 1989. Besides actively adopting various channels to extricate ourselves from these difficulties, the fundamental way out still is through readjusting the product mix well.

Although in the process we may run into problems such as being ill-prepared or short on funds, still, problems related to the necessary inputs are relatively small compared to readjusting the industrial mix. Results are also a bit quicker. The practice of many industries and enterprises shows that we can find a way out and turn passivity into activity, provided we meet and surmount our problems and have firm faith to turn pressure into a motive force.

Many beneficial factors for readjusting the product mix well already exist. First, Hebei has a fair industrial base. There are more than 20,000 industrial enterprises above the county level, more than 400 of which are medium- and large-sized enterprises that have strong scientific, technical, and management forces. They can be relied on to develop or expand top products. Second, a good number of medium-, small-scale, and rural enterprises have improved the quality of their management and higher-level activities to develop a group of products suited to market needs. Third, whether by uniting, joining together, or assisting one another, a group of enterprises with a certain amount of competitiveness is being formed. Fourth, by stressing technical progress in the past few years, there has been definite input in reforming old enterprises. A number of projects have

been brought forward. From 1981 to 1989, Hebei invested a grand total of 14.15 billion yuan to complete technological reform of local industries owned by the whole people. They completed and put into operation more than 9,000 technical reform projects, setting a sure foundation for readjusting the product mix. Fifth, since reforming and opening to the outside world, Hebei has introduced nearly 1,000 technical projects and 4,000 pieces of equipment. It is doing a good job of integrating, assimilating, and renovating. It can take a place in the forefront of perfecting the product mix. Sixth, Hebei has quite forceful scientific and technological strength. At present there are 350,000 technicians in the natural sciences, 29,000 of who are high level, and 220,000 mid-level. There are 137 independent scientific research organizations above the local municipal level and more than 700 civilian science and technology development organizations. There are 43 provincial-run institutes of higher learning. Sixty percent of the industrial and mineral industries have set up technology development organizations. The scientific and technological strength of the several dozen scientific research institutes under the central government located in Hebei can also be counted on. These are all important technological organizations pledging to do a good job of readjusting the product mix. In sum, there are both difficulties and hopes, challenges and opportunities. It is possible to escape the difficulties centered around developing and expanding superior products. We can create a new situation in which the product mix and overall benefits continuously improve, provided that we are able to utilize fully existing conditions and experience with the united, coordinated effort of all parties.

#### Basic Thinking on and Demands for Promoting Product Mix Readjustment

Based on the demands for improvement and rectification and the actual situation in Hebei, and summarizing the preliminary experience and tentative thoughts of all parties concerned, the guiding ideology for Hebei to readjust its product mix is: to emphasize developing and expanding products in short supply that are known to sell well, guided by industrial policy and domestic and international markets, centered around improving economic results. We should start from what is easy and move on to more difficult things; maintain and exert pressure; diffuse management; during the period of improvement and rectification, strive for breakthroughs in the product mix and clear gains in product competitiveness and economic results; and gradually put Hebei's industry on the track of sustained, stable, and coordinated development.

Concretely speaking, the direction of and key to readjusting Hebei's product mix are: Concentrate efforts on supporting and developing energy resources, transportation, raw materials in short supply, other basic products and those needed in the people's daily lives, agricultural products and foreign-exchange earning goods. Emphasize reforming the light and textile industries. Accelerate development of products in the forefront of science and

technology. Restrict and weed out backback products. Make Hebei's industrial products as a group overall have a new integrated, superior position in terms of quantity, quality, varieties, and colors.

The major basic products shall be coal, electric power, steel, chemicals, and construction materials. We must win state investment to develop coal and electricity. We must increase productivity, renovate equipment, and increase stamina. Regarding the metallurgical industry, we must emphasize adding much more further processed top quality sheet and tube steel products. In the chemical industry, the stress is on developing the basic chemical raw materials of oil, coal, and salt and on making fine chemical products, increasing output of highly effective compound chemical fertilizers and highly effective, low toxicity agricultural pesticides. In the construction industry, using existing products as a base, we must develop in the direction of light, new materials and more processed foreign exchange-earning goods.

Regarding light and textile products, we must aim to develop domestic and international markets, integrate well industry with commerce and industry with trade, and readjust and perfect the export product mix. The emphasis of the textile industry is on high-grade, high-quality products, developing chemical fibers, dyes, and duplicate knitting goods, as well as clothing, accessories, and goods for industrial use, taking as the main line of attack the expansion of exporting units' foreign exchange earning potential. Regarding light industry, the emphasis is on market demand, continuously developing new products, increasing colors and varieties, improving high-, medium-, and low-grade products, increasing effective supplies, gradually striving to expand the volume of exports and lower the cost of earning foreign exchange.

As for products in the forefront of technology, the emphasis is on developing integrated electro-mechanical products, foreign-exchange earning exports, and products that will substitute for imports. While continuing to maintain a superior position in developing mining equipment, cement machinery, power transmission equipment and mechanized agricultural machinery, the machinery and electrical industries must also make breakthroughs in the area of high technology electronic products, especially in the area of electronic products for production. Heavy vehicles and transportation equipment must also be highlighted. Complete machinery and spare parts must be regarded equally, with parts stressed in the near term. In particular, production of some key parts must gradually replace imports on a predominant scale.

With reference to limiting development of products, especially those production of which clearly is banned by the state, we must stop production. We must adopt measures to cease or halt production, assimilate it with or switch production to something else, while dealing well with the consequences of doing so. In sum, we must maintain, suppress, or limit production in a meticulous

and careful, proven, organized, and planned way. We must make production of flat or stagnant selling items turn into hot sellers, lot produce nominally famous products, transform hot sellers into top quality products with reasonable prices, turn resource-intensive products into technology-intensive ones, put domestic products that offer the right conditions on the international market, and improve product levels of Hebei's industry.

In order to really grasp these key points and achieve set goals in the course of readjustment, we must firmly "stress and focus on four things":

**One, equally stress adaptable readjustment and strategic readjustment with stress on the former.** In readjusting the product mix, we must both have a foothold in the present as well as a long-term view. In order to improve adaptability, based on market demand in the 1990-91 near term, we must put more energy into increasing product varieties and improving product quality. At the same time we must also do a good job of strategic readjustment, promoting in particular technologically advanced medium- and high-level science and technology products and products for which there will be future market demand. We must actively develop, store up, and do good near-term preparatory work on key technological reform and capital construction projects.

**Two, equally stress reserve capacity readjustment and increase capacity readjustment, with a stress on the former.** Readjusting the product mix urgently requires further investment and the ability to raise money in all sorts of ways. However, under present conditions of both lending and fiscal retrenchment, we must put our main energy into developing the assets of existing enterprises. Via various measures and paths, we must encourage the transfer of existing assets to key industries and superior products. Likewise, we must further improve the investment structure and use newly increased investments in a lively and good way.

**Three, equally stress expansion of existing superior products and new product development, with a stress on the former.** At present Hebei province has nearly 100 brisk selling products. It develops nearly 1,000 new products each year. Nevertheless, most suffer from the problems of small lot production and low market coverage. As soon as possible, we must increase [the size of] production lots and further improve quality by integrating, combining, or diffusing production. Regarding favored products that are of advanced technology and unique to Hebei, we must stress supporting them and improving their market shares. At the same time, we must continue various efforts to develop new products, both those that are in short supply in today's market and those that are state-of-the art in economic, scientific, and technological terms. We must make enterprises have a tiered structure of product development in which one generation is produced, another reserved, and another developed.

**Four, transform existing technological achievements and pay equal attention to importing and developing new**

technologies, with the focus on transforming existing technological achievements. In recent years Hebei has introduced a group of technologically advanced equipment. Every year scientific research units in the province make big scientific and technological gains and have accepted and reviewed more than 1,000 patents. Still, transformation rates are low. There are bright prospects for expanding, developing, promoting, and transforming the gains surrounding superior products. We must accelerate the process of turning scientific and technological gains into production by enhancing systems and perfecting policies. At the same time, we must further strengthen technology introduction and development work.

#### Arrange Management, Policy Measures for Product Mix Readjustment

Readjusting the product mix is a complex, organized process. It must be carefully arranged and managed. Now and in the future we must do a good job of the following tasks:

*Sum Up Eighth 5-Year Plan, formulate and perfect readjustment policies.* Based on the major principles of serving the general good, stable development, and proper dynamics in the near term, we must arrange crack troops to both demonstrate readjustment research and be grounded in reality. We must formulate and perfect concrete plans to readjust the product mix, plan a group of superior products that are top quality, strongly competitive, have a bright future, are highly profitable, and earn a lot of foreign exchange, bringing into the plan high-technology, good quality, brisk-selling goods sifted and selected by rural enterprises. We must dovetail readjustment of the product mix with the Eighth 5-Year Plan and support it in terms of lending, funds, energy resources, and raw materials.

*Establish and perfect an organizational maintenance system. Maintain it constantly without slack.* Readjusting the product mix affects the whole economy. It is not an expedient measure. It cannot be done in a flash. No matter whether during the period of improvement and rectification or after there has been a fundamental change for the better in the economy, we must maintain it constantly and without slack. We must set up and perfect an integrated, coordinated supervisory and directory organization run by those affected which will undertake concrete arrangements and guiding work. We must thoroughly enhance departments in charge of industries to function as industrial managers which arrange production permit systems for important products. We must enhance intimate cooperation between domestic and foreign trade departments and industrial and agricultural departments, provide timely information, and do a good job of sales services. Other economic management departments must also readjust, center around the product mix, motivate people to improve their service attitude, improve work efficiency, overcome worries, and get rid of difficulties for enterprises.

*Energetically develop enterprise groups, improve the organizational structure of enterprises.* This is an important way to promote progress in readjusting the product mix. We must actively stretch medium- and large-scale enterprises that have a certain superiority toward small-scale and rural enterprises, energetically promote expansion of superior enterprises, and improve the wholesaling and further processing of hot-selling products. Starting from nominally good sellers, we must fully support them by fully using such key methods as integration, annexation, the contract responsibility system, and offering stock. We must unite scientific research, production, circulation, and other enterprise units together to create a group of varied, strong, self-supporting, superior, unified industry-industry, industry-trade, and industry-technology enterprises groups, gradually making a winning combination of rationally allocating resources and production factors.

*Energetically expedite scientific and technological progress surrounding product mix readjustment.* Hereafter, especially during the period of improvement and rectification, we must concentrate our human and material resources on scientific and technological progress in order to promote readjustment of the product mix. We must further improve the percentage of investment in technological reform used to improve crafts, quality, and increase the varieties of products. We must enhance enterprises' research and development work and enrich the force of those engaged in technological development work related to important scientific research topics affecting product mix readjustment. We must allow medium- and large-scale enterprises and scientific and technological units to work together to tackle key problems and become productive as soon as possible. We must introduce technology in a planned way, take heed of goods in tight supply or great demand, use production to prop up imports, use imports to nurture exports, and export foreign exchange earning products in order to introduce technology. We must also be sure to integrate, assimilate, and renovate the introduced technology.

*Put readjustment of the product mix into enterprise contract target system.* When signing new contracts, any enterprise practicing the contract responsibility system must put product mix readjustment and the technology development and transformation centered around it into their contract target system. They must also establish appropriate examination and appraisal and reward and penalty systems.

*All sides must coordinate their efforts and strive to create a favorable external environment for readjusting the product mix.* We must extract for rollover a certain portion of product mix readjustment funds from funds outside of fiscal budgets. We must support product mix readjustment by deducting one dollar from bank loans and use variable interest rates to support key enterprises and production of key products. We must earnestly implement low tax and tax-free policies for new product development and bring into full play the role of tax levers. We must fully use price adjustment levers to

encourage production of new, top quality products suited to the market. As needed for product mix readjustment, we must improve the supply and dispatch of goods and materials, electric power, and transport. Enterprises must retain enough funds to give priority to trial manufacture of new products. Those that can may subtract a certain amount of scientific and technological development funds from sales incomes. Superior enterprises must expand their percentages of direct capital investment and develop superior products. At the same time, they must energetically advocate the "house with walls of rammed earth" spirit of Daqing, strive to spend less money while working more, spend a little money on big jobs, oppose grandiose projects, oppose extravagance and waste, and do a down-to-earth job of readjusting the product mix. They must strive to improve the level of industrial products in Hebei province.

### Jilin Government Work Report

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[Article: "Rally Spirit and Unite in Struggle To Push Ahead With the Steady Development of National Economic and Social Endeavors"—Government Work Report Delivered to the Third Meeting of the Seventh Jilin Provincial People's Congress by Provincial Governor Wang Zhongyu (3769 1813 4416) on 3 March 1990]

[Text] Delegates: On behalf of the provincial people's government, I now present the government work report to the congress for its consideration.

#### 1. Steady Advances in National Economic and Social Endeavors Throughout the Province During the Past Year While Overcoming Difficulties

The final year of the 1980's was an unusual one. Economically, we went through a shortage of capital, a lack of energy, a market slump, and all sorts of natural disasters; and we experienced the impact of political disturbances as spring was turning into summer. Under leadership of the provincial CPC committee and CPC committees at all levels, all levels of government in the province relied for support on people of all nationalities, adhered to the party's basic line, and upheld the four basic principles in opposition to bourgeois liberalization, resolutely halting the turmoil to safeguard the stability and unity of the political situation. We persevered in a policy of improving the economic environment and restructuring the economic order, and the deepening of reform, and we strove to fulfill the various tasks set by the second meeting of the Seventh Provincial People's Congress. Thanks to the common struggle and the arduous work done throughout the province from top to bottom, initial results were achieved in improving the economic environment and restructuring the economic order. The national economy continued to grow, and new achievements were made in all social endeavors.

**Industrial and Agricultural Production Maintains Growth Momentum While Steadying.** At the beginning of the year, we further established a psychology of taking agriculture as the foundation, increased inputs, relied on science and technology, stabilized policies, concentrated on preparing all materials needed, and worked harder in building the service system. We persevered in battling natural disasters with rather good results. "Gross output of grain reached more than 13.5 billion kilograms. Although this was less than in 1988, 1989 was still a year of relatively high output. Outputs of both paddy and oil-bearing crops were better than anticipated. The goal of making 1990 an "animal husbandry year" in rural economic development, which was set at the beginning of the year, was pretty well attained. For the first time, the province became self-sufficient in pork, and both the output value of animal husbandry, and the output of livestock products broke the all-time record. In the building of forestry, the province overfulfilled plans for the year as part of a 10 year campaign for greening the good earth of Jilin Province. For nine years in a row, no major forest fire disasters occurred. Township and town enterprises grew steadily in the midst of readjustment, realizing a gross output value of 12.66 billion yuan, again exceeding the gross output value of agriculture. Rural markets were lively, and the economy was stable. Industrial production during 1989 was carried out amidst serious difficulties. Money was in short supply; energy was lacking; and a market slump occurred. Governments and individual departments at all levels analyzed the situation, seized opportunities, and focused on conspicuous contradictions for timely solution to difficulties encountered. They improved direction and management, used every possible means for organizing production, and strove to stabilize policies and steady enterprises, thereby maintain a certain speed of growth. Gross industrial output value for the province reached 36.3 billion yuan, up 6.5 percent from 1988. As a result of the institution of tilt policies in key areas, output of important industrial products markedly increased over 1988; steel output reaching 652,200 tons, up 18.9 percent; crude oil output reaching 3.422 million tons, up 8.6 percent; raw coal output reaching 24.385 million tons, up 9.5 percent; and chemical fertilizer output reaching 296,900 tons, up 7.2 percent. The capital construction of transportation increased considerably, highway and railroad passenger and freight transportation volume increasing. In posts and telecommunications, and in geological prospecting, new advances were also made. Marked achievements were scored in increasing production and practicing economy, and in increasing income and reducing expenditures. The goal of all staff members and workers in the province creating 100 yuan of wealth per capita was overfulfilled. Definite results were achieved in linking economic development and environmental protection.

**Momentum Toward Price Rises Effectively Controlled; City and Country Markets Maintain Basic Stability.** During 1989, we made the control of prices and the stabilization of markets a major focus of attention for

stabilizing the overall situation. The degree of rise in prices throughout the province declined month by month, and the retail price index rose 16.9 percent, receding 3 percentage points from 1988 in realization of the goal of holding the degree of increase markedly lower than in 1988. The public's consumption psychology was largely steady. Despite repeated natural disasters, supplies of vegetables were fairly ample throughout the year, and almost all varieties were available. Prices of popular vegetables remained stable or declined. Availability of industrial goods that the people needed satisfied needs substantially, and the supply of grain was assured. Throughout the province, grain procurement proceeded smoothly, fixed procurement quotas fulfilled in accordance with policies. Despite government financial difficulties, governments at all levels did their utmost to solve real problems in the people's lives, and public facilities in cities were improved. Government and society at large helped out with the food, clothing, and housing problems of people in disaster areas, and the living difficulties of some staff members and workers in cities. Special care to disabled servicemen, and to family members of revolutionary martyrs and servicemen continued to improve. Employment avenues were widened, and the ability to find employment improved.

**Tightening Measures Gradually Show Effect, and Some Conspicuous Problems in Economic Development Begin To Be Solved.** Dual tightening policies regarding government finance and credit were diligently implemented for an easing of the conflict between total social demand and total social supply. During the past year, governments at all levels focused on the unfavorable situation caused by reduced revenues and increased expenditures. They strove to marshal revenues, actively find additional financial resources, improve tax collection work, strictly control expenditures, and rigorously enforce financial and economic discipline. Provincial government revenues for the year totaled 4.94 billion yuan in a 12.4 percent rise over the previous year calculated in comparable terms. Government expenditures totaled 6.714 billion yuan, 10 percent more than actual expenditures for 1988. A balanced budget was achieved through the addition of central government subsidies and special disbursements. The purchasing power of social groups was effectively controlled; they did not exceed actual disbursements for the previous year. The credit and currency receipts and expenditures situation was fairly good; the savings account surplus was 29 percent greater than at the end of 1988; total credit was held within state-approved limits; and cash investment was 313 million yuan less than in 1988. The scale of investment in fixed assets was held in check, construction on 112 projects halted or slowed for a 366 million yuan cutback in investment. Construction and investment were cut back 28.3 and 19.6 percent respectively from 1988. Fairly rapid progress was made on 32 large- and medium-sized capital construction projects covered by state plan, and on above-norm technical transformation projects. As of the end of 1989, seven projects were either completely or partially completed and went into

production. The overhauling of companies, and the restructuring of commodity circulation procedures was gradually deepened. A total of 741 companies in the province that did not separate government and business were abolished. All those remaining instituted a complete separation from government units in charge in matters pertaining to finances and materials. The problem of party and government agency cadres holding concurrent employment or positions in companies was rectified except for individual personnel in positions having foreign dealings. Companies in which violations of the law and discipline existed were investigated and dealt with. A number of personnel in violation of the law and discipline were publicly pilloried in enforcement of legal and government discipline. Wholesaling links were overhauled; management of commodity circulation was improved; and the function of state-owned and supply and marketing commercial channels was improved for a gradual upturn in the commodity circulation order. In the course of improving the economic environment and restructuring the economic order, departments responsible for supervising the economy did a large amount of very effective work.

**New Advances in Science and Technology, Education, and Other Social Endeavors; More Done in the Building of Socialist Spiritual Civilization.** A development strategy of "reliance on science and technology for the vigorous development of Jilin" was instituted step by step. By the end of 1989, most cities, prefectures, autonomous zhous, and counties had set up science and technology development funds in the preliminary shaping of a funds support system for the development of science and technology. Leaders at all levels emphasized scientific and technical awareness, and enhanced leadership over scientific and technical work, universally selecting deputy county magistrates (or deputy mayors) for science and technology. Development and service agencies for science and technology steadily increased, strongly advancing scientific and technical progress. Since the institution of "spark plans," 290 projects have gone into production, giving impetus to improving the level of rural science and technology. During 1989, the province scored 481 scientific research achievements, received 468 state-authorized patents, and won six state scientific and technical progress awards. Social science research played a positive role in improving the economic environment and restructuring the economic order, and in the deepening of reform.

Education of all kinds steadily developed at all levels in the midst of improving the economic environment and restructuring the economic order. Investment in education continued to increase, government financial expenditures for education at all levels during 1989 amounting to 859 million yuan, 12.1 percent more than in 1988. More basic education was provided, and teaching conditions further improved. Urban areas began to institute nine years of compulsory education, and junior middle school education was improved. Results achieved in the reform of secondary vocational education and adult

education were further consolidated and developed. Students in vocational and technical schools now account for 49.4 percent of students enrolled in all senior middle schools, and some graduates have made a mark in society. Higher education is oriented toward the needs of economic construction and social development, and good results have been gained in readjustment of the structure, reform of student enrollments, and assignment methods. Steady expansion has occurred in linking education and the economy, the amount of scientific research in institutions of higher education, production partnerships, and scientific and technical enterprises increasing steadily. In halting the disturbances, Central Committee directives, and provincial CPC committee commands were resolutely carried out, principles upheld, and guidance maintained. School leadership, teachers, staff members and workers, and key student cadres were relied on for thorough and painstaking work to stabilize campuses. Ideological and political work in institutions of higher education was strengthened in a pertinent fashion, bourgeois liberalization opposed, and a combination of education and control upheld for the building and perfecting of a student ideological and political work system, and achieving conformity in behavior, good results achieved.

On the health and medical treatment front, prevention work received greater emphasis. Premier service competitions were held to raise the quality of medical treatment services and to improve medical treatment. In planned parenthood work, responsibility systems for the attainment of goals was instituted, and the building of grassroots level services and control networks was intensified. Random survey statistics showed a 12.95 per 1,000 natural rate of population increase in the province, an increase lower than the national average. Marked progress was made in athletics. During 1989, the province's athletes won seven gold medals in international competitions, and 108 in domestic competitions, 18 athletes surpassing 22 world records a total of 34 times to make 1989 a year of splendid achievements. In cultural work, the focus was on straightening out book publication and cultural markets. Initial victories were won in the war to eliminate pornography, and cultural markets began to be purified. A number of outstanding books such as "Complete Laws of the People's Republic of China" were published. In conjunction with the celebration of the country's 40th anniversary, the province's first art festival was held, showing the rich accomplishments made since reform of literature and the arts. Advances were made in standardization of weights and measurements, in mapping, archiving, and civil defense, and in earthquake monitoring. In the safety field, active efforts were made in fighting disasters and in rescue work. In foreign affairs, overseas Chinese affairs, and tourism, a correct policy of reform and opening to the outside world was carried out, an active role played in advancing friendly relations with peoples in other countries of the world, and in advancing economic and cultural exchanges.

**Steady Deepening of Reform and Perseverance in Opening to the Outside World While Improving the Economic Environment and Rectifying the Economic Order.** By way of meeting needs in improving the economic environment and restructuring the economic order, while stabilizing reform measures already taken, other reform measures helpful in bringing currency inflation under control were explored. Contracting systems were continued and improved; contracting methods were improved; and both contract base figures and the income of contractors were fairly set. In view of anxieties in enterprises, timely action was taken to propose no change in the contract system, no change in the plant manager responsibility system, and no change in effective economic policies for enterprises, thereby maintaining policy continuity, and stabilizing enterprises. Full use was made of the role of large enterprises, substantial growth of enterprise partnerships and the founding of enterprises blocs taking place. Combined achievements of yiqi [0001 3086], ferroalloy, and carbon groups were further consolidated. The Jilin Chemical Company integrated assets management with 25 pharmaceutical enterprises in the chemical industry in Jilin City and Liaoyuan City, and with the Jilin Heavy Machinery Plant, and entered into a loose partnership with the Jilin oilfield. A total of 162 enterprise blocs were formed throughout the province consisting of 800 enterprises. First 313 enterprises and then another 410 enterprises carried out an optimum reorganization and also leased and auctioned off a number of small enterprises to promote a rational flow of production essentials and an optimum pattern of operations.

Foreign trade surmounted unfavorable conditions to open up new areas. Foreign trade exports for the year totaled \$671 million, up 26.2 percent from 1988 for an all-time high. Technology imports and the use of foreign capital saw new advances, and foreign exchange earning export capabilities improved. New advances were scored in border trade and labor cooperation with the USSR and Korea. Construction of the Changlingzi entry point and the Daan Port accelerated in order to create conditions for an expansion of foreign trade. New achievements were made in lateral economic links, and a number of means of production and means of livelihood in short supply were brought in through cooperative efforts. Regional cooperative exchanges centering around key cities were developed, producing rather good economic returns.

New advances were made in the building of open economic zones and trade zones. A preliminary master plan has been proposed for the Hunchun Open Economic Zone, and preparations for the building of some basic facilities are underway. Bilateral exchanges and foreign trade with the USSR and Korea became increasingly lively. Good planning and intense prior preparatory work formed the basis for the Qianfu Economic Development Zone where some projects began to be built. The Meihekou Trading Area was built more than one year ago. The growth of business there has sparked the

development of local industry. A fine impetus toward flourishing commerce and increased economic vitality has appeared. Fine economic returns were obtained from the science and technology street built in the Changchunnan - Nanxin Technical Industry Park.

**Enhancement of Socialist Democracy and Building of the Legal System; Basic Social Order Maintained.** With the gradual enhancement of socialist democracy and the building of a legal system, awareness of democracy and of legal institutions has steadily risen among governments at all levels. Varying degrees of progress was made in the establishment and perfection of completely democratic policy making and democratic supervision procedures, and the legal system for a widening of channels for contacts with the masses. More work was done on the government legal system, close attention given to improving the economic environment and restructuring the economic order in the formulation of various administrative regulations. Some local rules and regulations were also presented to the provincial people's congress standing committee for passage. The recently instituted inspections of administrative law enforcement closely related to economic life, social life, as well as to the daily life of the masses not only promotes enforcement of the law and of rules and regulations, but also improves the economic and social climate, and advances development of work in improving the economic environment and restructuring the economic order. Provincewide intensive propaganda and education in the legal situation was continued, and emphasis was placed on providing training in the legal system to personnel in government organs to spur government and its constituent departments in the conscious use of law to control their administrative activities, gradually bringing government work within the orbit of the legal system. More work was done on nationalities. Economic and cultural endeavors in nationalities areas saw further development, and the unity of all nationalities was consolidated and developed, joint progress being made. Religious activities were given further attention. Religious belief inquiries [xinfang 0207 6078] played a positive role in solving the masses' difficulties and in reporting the masses' views. Crackdowns on serious criminal offenses, eradication of the "six evils," and straightening out public order procedures in key units were conducted throughout the province to contain the escalation of large and important cases. In the struggle to halt disturbances, Central Committee directives and provincial CPC committee commands were used in resolute and decisive, yet prudent, actions to prevent the occurrence of vicious cases involving beating, smashing, theft, arson, and murder. The broad masses of cadre, public security cadres and polices, and the masses of people throughout the province held fast to their posts, took a clear-cut stand against the disturbances, and maintained social order.

**Extensive Development of the Struggle Against Corruption; Success Achieved in the Building of Clean Government.** During 1989, government at all levels placed on their agendas of important things to do the cleaning up

of corruption, and bolstering the building of clean government. They began this work with the handling of actual cases, and the carrying out of arrests, investigations, and punishments, strictly supervising and investigating for the attainment of preliminary results. They went all out in propagandizing "the circular notice" [issued by] the two councils, and they cracked down hard on serious criminal economic activities. They publicly tried a number of serious cases of violation of the law and discipline, including abuse of authority for private gain, graft and bribe taking, speculation and profiteering, and the diversion of public funds, thereby increasing the public's credibility about the struggle against corruption. They established and perfected clean government systems, improved supervision and inspections, and further controlled and rectified instances of the use of public funds for eating and drinking, travel at official expense, and extravagance and waste. A restrictive mechanism that combines clean government inspections with mass supervision is being shaped, and will play a major role. At the same time, all jurisdictions summarized a number of classic cases of honesty in performance of official duties, and used the publicizing of awards to impel a new ethic among government workers of honest performance of official duties.

**Delegates.** The achievements of the past year were hard won. They were the result of the unity and struggle, the surmounting of difficulties, and the arduous efforts of all levels of government and all departments throughout the province, particularly the broad masses of grassroots cadres and people of all nationalities under the correct leadership of the CPC Central Committee and the State Council, and the provincial CPC committee. Government work during 1989 was done under legal supervision of the standing committee of the people's congress, the democratic supervision of all democratic parties and people without party affiliation, and with the support and assistance of all people's groups. PLA forces stationed in the provinces, and provincial military region and people's armed police units made meritorious contributions to the building of the two civilizations in the province, and in safeguarding the stability and unity of the political situation. On behalf of the provincial people's government, I express sincere gratitude and high tribute!

When reviewing the work of the past year, we should also clearly realize the difficulties we face and the problems in our work.

First, various difficulties have occurred all at once. The energy shortage, the funds shortage, and the market slump will not ease substantially within a short period of time. A severe electric power shortage has existed since the beginning of 1989, and even after the wherewithal was provided to generate electricity, there was still a 30 percent shortage. Money is extremely tight. There is neither enough credit nor enough money. They fall far short of real needs. Funds are divided up inequitably. Statistics as of the end of 1989 show that just three items—funds to produce finished products, funds to

distribute commodities, and pre-payments receivable—amount to 10 billion yuan, which is equivalent to total industrial goods payments for the year. Because of the slump in sales, large quantities of goods have accumulated in inventory plunging some enterprises into difficulties. It is very difficult for industry to maintain a rational speed under these circumstances, and government financial revenues are inevitably impaired. Serious disasters wracked agriculture during 1989 causing a drop in peasant income, making a further increase in inputs difficult. Declines in outputs of grain and other agricultural products will hurt livestock industry and associated industrial production. The government's financial burdens are heavy. Even before old debts are repaid, new factors causing decreased receipts and increased expenditures arise; subsidies increase but never diminish, causing a financial burden that is difficult to bear. Consequently, many things that should be done cannot be done. Various difficulties and problems in the development of social endeavors and in the people's lives demand prompt solution.

Second, problems accumulated over the years intertwine with newly appearing contradictions to make the task of improving the economic environment and restructuring the economic order difficult. A general analysis shows these problems to be the result of many years of total demand being greater than total supply, loss of overall control, structural imbalances, and too great a distribution of national revenues. The investment, capital, and foreign exchange requirements of the province for the building of production exceed the province's resources, making the requirements difficult to sustain. Because of the fragility of the economic foundation, contradictions are even more glaring under the new circumstances of improving the economic environment and restructuring the economic order. Financially, the province has to borrow, go without, and save; its self-sufficiency is low. A large percentage goes to agriculture, but industry receives heavy emphasis too and ties up a lot of funds. When cutbacks occur in government finance and loans, industrial production is first to be affected. The industrial structure, the enterprise organizational structure, and the product mix are all irrational. In a constantly changing market situation, capacity to compete and change with circumstances is poor, and product sales are lackluster. The number of enterprises that have halted or semi-halted production are on the rise, and the number of people in need of employment has increased, thereby increasing elements for social instability.

Third, for the past several years in government work, we have had keen expectations of being able to effect changes very rapidly, and there has been a tendency to think a lot about what we want to do, but little about what is possible. As a result, the capacity of the economy to endure has been exceeded in some regards. Macroeconomic control has not been vigorous enough; a tendency toward decentralism and selfish departmentalism exists; and problems in duplicatory construction and ill-advised development have repeatedly occurred. A psychology of

arduous struggle and belt-tightening is not firmly established. Although some measures have been adopted, big spending, extravagance, and waste still exist in some jurisdictions, departments, and units. Some problems still exist in social order, and further improvement is also required in work style and work methods. The difficulties we are now facing are temporary, and in the nature of problems experienced in moving ahead. Practice in work during the past year has shown that even though we face very large difficulties, we absolutely are not in a situation of being unable to do anything about them. The key lies in having good morale and taking vigorous action. Only by rallying spirit, continuing to forge ahead, and advancing despite difficulties will we be able to do a good job in improving the economic environment and restructuring the economic order, and get through our temporary difficulties to put the economy on a smooth road of development.

## 2. Further Good Performance in Improving the Economic Environment and Restructuring the Economic Order, and in the Deepening of Reform; Efforts To Realize All Work Objectives for 1990.

During 1990, improving the economic environment and restructuring the economic order enters the assault stage. It will be both a difficult year, and an extremely critical year. We must rouse ourselves to forge ahead and work hard to win a new economic upturn, all undertakings developing further. The main work goals during 1990 are as follows: Maintenance of moderate economic growth for a 6.0 percent increase in the gross output value of industry and agriculture, an 11 percent growth of gross agricultural output value, and a five percent increase in gross industrial output value; strict control over social demand, investment in fixed assets held within the amount set by national plan, with planned readjustment of the investment structure to preserve key construction; correct channeling of consumption to restrain overly rapid growth; efforts to increase income while strictly controlling expenditures to effect a balanced government budget; increase of effective supply, effectively maintaining market stability and diligently insuring the supply of daily necessities for the people, the degree of increase in retail prices in the province held at around 14 percent; expansion of foreign trade to increase foreign exchange earnings from exports for an easing of the conflict between foreign exchange earnings and demand for them; active development of science and technology, education, and other social endeavors; strict control over population increase, holding the natural rate of population increase within 13.1 per 1,000; better overall management of the workforce to open up employment avenues; and further consolidation and development of a stable and unified political situation.

In accordance with the spirit of the Fourth and Fifth Plenary Sessions of the 13th CPC Central Committee, and the decisions of the fourth meeting of the fifth provincial CPC committee, the overall guiding mentality for work during 1990 in the development of economic and social endeavors is as follows: While safeguarding

political stability, economic stability, and social stability, efforts are to focus on moving ahead with improvement of the economic environment and the restructuring of the economic order, and the deepening of reform, genuinely putting economic work on a path in which improvement of returns is the core, embracing the building of both socialist material civilization and spiritual civilization at the same time, and giving impetus to the coordinated development of all social endeavors.

While maintaining stability, impetus is to be given to improving the economic environment and restructuring the economic order, as well as to all endeavors. Stability of the overall situation is a prerequisite for doing good economic work and all other work. In pondering problems and planning work, stability is to be our point of departure. The formulation of policy measures has to benefit stability. Everyone throughout the province, from top to bottom, must be concerned about stability, and consciously safeguard an atmosphere of stability. Strict attention is to be paid to the solemnity, stability, and continuity of policies, and major policy measures found to be effective in practice and that the broad masses of people accept are not to be changed lightly. Stability does not mean not changing anything. Certain readjustments of existing economic relationships are necessary; however, when deciding policies, full consideration must be given to what is objectively possible and the ability of all parties concerned to carry the load, as well as avoiding too great shocks. Much less does stability mean stagnation, but rather a quest for new development. Arduous work must be done on the new situations and new problems that arise out of improvement of the economic environment and restructuring of the economic order, and a certain price paid for them. Elements of instability must be gradually eliminated. All apparent and latent elements for instability must be dealt with conscientiously. Preparations against rainy days must be made while the sun shines, while taking active measures to provide against possible trouble.

Maintenance of the long-term sustained, steady, and coordinated development of the national economy. The crucial issues in summarizing the lessons of experience in our economic work are not to become divorced from the province's circumstances, not to exceed the province's capabilities, and not to be overly anxious for success. In the course of improving the economic environment and restructuring the economic order, and until such time as improving the economic environment and restructuring the economic order is completed, we must adhere to a policy of seeking truth in facts, acting within our capabilities, emphasizing real results, and steady advance. We must move ahead as financial and material resources permit when attending to production, building, or handling matters, and we must proceed from realities, and take all factors into account. We positively cannot come to grief again as a result of only considering what we want to do without thinking about what is possible, and going through major ups and downs. Sustained, steady, and coordinated development , and

decreasing a speed of development that is divorced from realities does not mean slowing down the speed of all development. The development of the basic capital construction of agriculture, energy, transportation, and important raw and processed materials, as well as the production of necessities needed in the daily life of the people not only cannot be slowed, but must be speeded up. Nor does sustained, steady and coordinated development mean slackening work and lowering requirements. Things that should be done and can be done should continue to be done actively, and fought for. Steady and healthy development of the national economy very much requires that the speed of economic growth be moderate. This speed of growth should be one in which all factors are generally dovetailed and in balance. It is one that produces good returns, and is solid. Major efforts to improve economic returns is both a fundamental way in which to get out of the present economic predicament, and is also the hope for realizing a benign cycle in the national economy.

Genuine belt tightening, arduous pioneering work, working hard for the prosperity of the country, and surmounting difficulties to achieve victory. Belt-tightening is an objective necessity under the country's present economic circumstances, and for hastening modernization. This is not only a correct choice for overcoming difficulties to enable economic work to take a healthy road of development, but also a policy that should be adhered to over the long-term. Belt-tightening does not mean waiting passively without doing anything, but rather requires that the building of the economy and the people's livelihood must depend on the national circumstances. We must act within capabilities, using limited financial and material resources where they do the most good for optimum economic returns. For certain places to relax efforts in certain regards and certain times is necessary, but overall stringency is the rule. Belt-tightening is not a negative restraint but a force that impels work. We should mobilize the broad masses of cadres to carry out a thorough campaign of "double increase and double economy" [increase production and practice economy, and increase income and reduce expenses], placing efforts on readjustment of the product mix, improving administration and management, and taking the economic road of development of small inputs for large outputs and high returns. Advocacy of belt-tightening does not mean a life of suffering or a life of poverty, but rather opposition to tendencies toward extravagance and waste, and going all out to work hard and practice thrift in order to get the financial resources for building and for engaging in production, and fundamentally improving the people's livelihood and guiding people in consuming moderately. Leading government organs and the broad masses of cadres, particularly leading cadres, should serve as models in belt-tightening and in doing arduous pioneering work. Whatever they ask the masses to do, leading cadres should first do themselves; and whatever they ask the grassroots to do, leading organs should first do themselves. There can positively be no belt-tightening by others but not by

oneself, or lower levels tightening their belts but no belt-tightening at higher levels.

Greater overall awareness and conscious safeguarding of the overall interests. In the course of improving the economic environment and restructuring the economic order, until such time as the present macroeconomic control methods have been completed, conflicts are bound to occur with existing interest patterns when overcoming economic difficulties and readjusting interest relations. The building of a mentality of taking the total situation into consideration will be particularly important. If everybody goes his own way, selfishly enjoys the fruits of his own labor, and shifts his troubles to others, getting out of troubles and passing through a time of crisis will be very difficult indeed. The partial and the total are part of a piece. It is necessary to do a good partial job to make a contribution to development of the whole situation. In addition, when pondering problems and formulating policy measures, safeguarding the interests of the whole rather than damaging the interests of the whole must be an ingredient. In the relationship between the partial and the whole, both the partial and the whole have to be accommodated, but the whole has to be accommodated first. When conflicts arise between the interests of the whole and partial interests, the partial must be subordinate to the whole, or even necessary sacrifices made. The unity and cooperation of all, everyone being in the same boat must be encouraged, unanimity of purpose and of pace used as a basis for forming powerful joint efforts.

Upholding the mass line, relying on the great power of the masses to move ahead with all work. The mass of people are the fountainhead of our strength, and our source of victory. Only by relying on the masses, fully arousing and bringing into play the enthusiasm and the creativity of the masses can we weather the storms and overcome difficulties to advance the cause of the building of socialism. If one is divorced from the masses, nothing can succeed, and one may even court calamity. We must respect the masses, and earnestly learn from the masses. Leading cadres at all levels should regularly go into factories and down to the countryside to find out what is going on at the grassroots level and among the masses, to publicize the party's plans and policies, to guide people in a correct understanding of the situation, to build confidence in being able to overcome difficulties, to understand the feelings and views of the masses, to concentrate the wisdom of the masses, to overcome bureaucratism and subjectivism, to cement relations between cadres and the masses, and to draw strength from the masses. The people's government represents the interests of the people; it should serve the people wholeheartedly. When deciding policies, whatever issues have a bearing on the personal interests of the masses must be considered carefully, consideration given to both the country's overall interests, and consideration also given to difficulties that might ensue for the masses, efforts made to lighten the masses' burdens. Problems for which the masses urgently require solutions should be

diligently studied and efforts made to solve them. Economic difficulties positively cannot be used as to excuse poor work performance, much less may they be allowed to damage and transgress upon the rights of the masses. Only in this way can we forever be in an invincible position.

### 3. Maintenance of Steady Growth of Industrial and Agricultural Production

Maintenance of steady development of agricultural production holds important significance for a stable economy and a stable society. Governments at all levels should establish a psychology of taking agriculture as the foundation, earnestly strengthen agriculture, and use all possible means to bring in bumper harvests in agriculture. The province's main goals in agricultural production for 1990 are "one revival," (revival of grain production during normal harvest years to the three year average before the disasters, gross output reaching 15.75 billion kilograms); "two achieves," (achievement of self-sufficiency in oil-bearing crops within the province, and achievement of a sugar crop output sufficient to satisfy the province's present processing capabilities); and "three improvements" (improvement of livestock industry output, improvement of the level of development of economic diversification, and improvement of the self-development capabilities of township and town enterprises in an effort to realize an output value of 13.8 billion yuan.) Realization of these objectives will require that the entire province from top to bottom show concern for agriculture, and make concerted efforts to do a good job in agriculture, all trades and industries coordinating and exerting efforts to support agriculture. No matter the province's economic difficulties, and no matter how great the financial pressures on the government, agricultural inputs must continue to increase, and the peasants must be mobilized to make large inputs of funds and labor for the development of agricultural production. The earliest possible application of scientific and technical achievements to agriculture to translate them into real productivity is of fundamental importance for realizing the sustained, steady development of agriculture. The spread of agricultural techniques should be the main emphasis in the widespread launching of a campaign of using science and technology to build agriculture. The whole province is to organize 3,000 scientific and technical personnel to go into rural villages to contract scientific and technical projects to enhance the modernization of agriculture, and make full use of the role of farm machines.

The party's basic rural policies should continue to be upheld and stabilized to arouse further the enthusiasm for production of the broad masses of peasants. Effective actions should be taken to reduce the peasants' burdens. This year is designated "water conservancy year" for the development of agriculture. During 1990, major efforts are to be made in the building of farmland water conservancy, suiting general methods to local circumstances to provide water for farmland for an effective increase in the paddy field area. A good job is to be done

in preventing flooding and controlling waterlogging, and in bringing erosion under control for a fundamental improvement in agriculture's capacity to withstand natural disasters. More farmyard manure should be collected and composted, efforts made to increase the soil's organic content, and to prevent a decline in soil fertility. The land should be managed according to law, earnest efforts made to solve the problem of year-by-year decline in the amount of cultivated land. Agricultural resources should be developed in a planned way, new production areas opened up as a strategic action for increasing agricultural production capabilities and advancing the development of agriculture. Beginning in 1990 and continuing until the end of the century, the "531" project plan will be carried out with the building of five major development projects (the project for the in-depth development of agriculture on the Songliao Plain, the Taoer He irrigation area water conservancy development project, the Qianfu region paddy rice development project, the western semi-arid zone comprehensive development project, and the Changbai Shan area three-dimensional development project); the development and bringing under control of 300,000 hectares of farmland (including the building or improvement of 100,000 hectares of medium yield fields, the bringing under control and transformation of 170,000 hectares of low yield fields, and the new development of 30,000 hectares of cultivated land) to increase grain output by 5 billion jin in 10 years. Efforts are to be made to get this project underway soon for early results, so that the province's gross grain output leaps to a new stage by the end of the century, reaching 20 billion kilograms. The policy of all-around development of the rural economy will be continued with the active development of economic diversification, and consolidation and development of results achieved during "animal husbandry year." Campaigns for the 10 year greening of the good earth of Jilin will continue to be organized. Energetic efforts will be made to develop sideline occupation and fishing industry production. The structure of township and town enterprises is to be readjusted to improve enterprise quality and to advance the sustained, coordinated, and healthy development of township and town enterprises.

Maintenance of moderate growth of industrial production is a major requirement for ensuring effective supply, for guaranteeing government financial revenues, and for stabilizing the economy. Good organization of industrial production during 1990 will require a central point (taking economic returns as the central point), firm grip on the two readjustments (readjustment of the product mix, and readjustment of enterprises' organizational structure), and realization of three major advances (in product quality, new products, and the export of foreign exchange-earning products). In view of the present market slump and the slack sales of large quantities of industrial wares, special attention is to be given to the key link of marketing. Enterprise business strategies should be studied and formulated for the general building of all kinds of sales networks; full use should be

made of existing marketing channels, and new marketing channels should be opened. More should be done in proving marketing information to improve understanding of market changes. Corresponding policies should be formulated to encourage the sale of the province's products. Industry, commerce, materials, supply and marketing, and foreign trade units should actively open markets and adopt diverse methods to sell merchandise in order to increase the amount of currency removed from circulation. Procurement of local products should be actively supported. Financial units should give priority to funds that wholesale enterprises need to purchase local products.

One of the main reasons for the slack sales of products from some of the province's industries is that the products do not meet needs. Quality is poor and prices are high. Readjustment of the product mix must be a focal point in organization of industrial production during 1990 to make some advances. Basic industries, mainstay industries, and dominant industries should be vigorously developed. The focus should be on supporting enterprises that pay high profits and taxes, and large- and medium-sized backbone enterprises that control the economic situation throughout the province; and the focus should be on improving the production of energy industries, raw and processed materials industries, transportation, industries that support agriculture, and the production of both articles needed in the daily life of the people and foreign-exchange earning export products. High energy consuming industries, and the "six small" industries should be restricted and retrenched, as should those enterprises and products that do not achieve the economies of scale, that have low returns, produce serious pollution, as well as products whose production is greater than sales, that pile up in inventory, and for which raw and processed materials cannot be assured. Duplicative run-of-the-mill processing industries should be restricted and transformed. The updating of products should be accelerated, more than 2,000 readily marketable new products being developed. The improvement of quality should be given an extremely prominent position, and a psychology of "quality first and the consumer first" genuinely established. Vigorous efforts should be made to advance technical progress in enterprises, a number of marketable, scientific and technical achievements that produce returns, but that require little investment and produce quick results being selected for promotion to application in the production field. Active efforts should be made to introduce and digest advanced techniques and key equipment, and to make replacement products more Chinese. More should be done in the field of tackling key scientific and technical problems, actively developing new sources of energy, and trial manufacturing new materials and new products. More should be done in the realm of quality control and supervision, and work inspections, advanced international standards adopted to spur all-around quality control. So long as credit is tight, it is unrealistic for enterprises to rely on large scale capital investment for the development of production. They must rely on

improved management to increase returns. They have to take actions that improve quality, lower consumption, lower costs, reduce the amount of funds used, and speed up the circulation of funds, applying them to every aspect of work in the enterprise. An in-depth campaign for learning from Daqing and learning from Jilin Chemical Plant should be launched, and socialist labor competitions of "double increase and double economy" should be conducted. Competitions to increase production and practice economy, and technical progress competitions, campaigns to improve worker quality, and campaigns to instill fine spirit and style that truly tap potential in enterprises, and that improve enterprise quality and the quality of the staff member and worker corps are to be continued. During the period of improving the economic environment and restructuring the economic order when great changes occur in enterprises' external environment, unexpected difficulties may be encountered at any time. Special tilt measures should be continued in the allotment of funds, materials, energy, and transportation. A tilt should be made for enterprises that produce key products, state "double protected" [shuangbao 7175 0202] enterprises, and provincial level enterprises that produce large profits and tax payments to insure that key enterprises produce, and that key products are produced. In addition, plans should be laid for beneficial production by medium and small enterprises. The production guidance system should be improved, scheduling authority established to insure highly efficient and orderly production. Governments at all levels and their departments responsible for economic complexes should regard as a unified whole the scheduling of production, funds coordination, product marketing and the opening of markets, effecting central direction, central planning, and coordinated operation. As a result of cutbacks in the scale of investment and readjustment of the industrial structure, some enterprises have halted or semi-halted production, and the number of people looking for employment has increased. A high degree of attention should be given these matters. Staff members and workers should be indoctrinated to regard the situation correctly; their ideological understanding should be unified, and a spirit of self-reliance and arduous struggle should be inculcated to overcome difficulties. Government and units in charge of enterprises should investigate and study to provide real help to enterprises, as their individual circumstances warrant, in tapping internal potential, developing production, exploring avenues to revive production as quickly as possible, and diversifying their operations by developing new products, contracting processing, and providing labor services to society. Departments concerned should cooperate closely, and provide active support in the form of policies and measures to help enterprises get through their difficulties. Better control should be exercised over the assets of enterprises that have halted production, strictly guarding them against loss or damage. Personnel who have been thrown out of work as a result of work stoppages should be better managed, staff members and workers organized to repair equipment, to straighten out warehouses, to improve the

environment, and to undergo technical training. Diligent efforts should be made to implement a policy of "safety first and prevention first," vigorous efforts made to improve safety in production.

Environmental protection is a long-term matter, and it is also a pressing matter of the moment. More has to be done to build a legal system for environmental protection; responsibility systems that have environmental protection as their goal must be put in place; and time limits must be set for clean-ups. Development plans must be laid for cleaning up the country, environmental quality improved, and overall economic, social, and environmental benefits increased.

#### **4. Continued Adherence to a Retrenchment Policy; Expansion of Achievements Made in Improving the Economic Environment and Restructuring the Economic Order**

Continued adherence to a policy of tightening government expenditures and credit holds major significance for controlling currency inflation, and for gradually eliminating elements of instability in the economy.

Continued control of the scale of investment in fixed assets and readjustment of the investment structure. Investment in capital construction during 1990 is to be planned at the 1989 scale, and the scale of investment in technical transformation is to be increased over 1989. The overall requirement is for strict control over the scale of investment in fixed assets, insuring that limits are not exceeded. However, moderate relaxation is to be allowed for technical transformation, particularly for improving quality, lowering costs, and developing new products. Investment in fixed assets must give priority to basic industries such as agriculture and energy, and industries that produce important raw and processed materials. Priority must also be given to education and to projects that have a bearing on the overall national economy, that help increase the development of reserve strength, and that are in keeping with the orientation of industrial structure readjustments, as well as foreign-exchange earning export projects. Priority is to be given to the building of large and medium scale capital construction projects covered by state plan, including electric power construction, motor vehicle industries, and the petrochemical industry, as well as to a limited number of the above technical transformation projects. Priority is to be given to solving the investment needs of projects under construction and that are winding up construction to enable them to go into production, get up to full speed, and produce returns as quickly as possible. No provision should be made for projects having low economic returns, that produce poor quality products, that consume large amounts of energy, that cause serious pollution, and for which raw and processed materials and construction funds have not been provided. During 1990, the province is to institute methods for the dual control of the annual scale of investment and the total investment in projects underway for cities, prefectures, autonomous prefectures, and cities specially listed in

plan. All jurisdictions that exceed these set scales of investment are to receive no further approval for new projects. During 1990, the state will begin to level an orientation regulation tax on investments in fixed assets, instituting differential tax rates. The portion of funds that the province obtains from this tax is to be used primarily on key projects such as agriculture, electric power, transportation, principal raw and processed materials, and secondary and primary schools. The building of office buildings, meeting halls, and public accommodations is strictly forbidden. Further plan control will be exercised over commodity storehouses, investment needed to build commodity storehouses made a part of annual investment in fixed assets, command plans enforced with no investment outside plan. Approval, auditing, and monitoring units should conduct strict examinations according to procedures.

Jilin has a shortage of funds for loans. In a situation in which there is a severe shortage of loan funds, it is unrealistic to place sole reliance on large inputs of funds to solve the funds shortage problem. During the present market slump, in particular, both the pooling of funds, and enlivening of the turnover of funds, will have to be given serious attention in order to ensure needs for production and commodity circulation. Energetic efforts should be made to increase the savings of city and country residents, and savings should be actively marshaled for use. Effective measures should be adopted for strict control over unbudgeted funds, inventorying and classifying them, using designated funds for designated purposes, and improving supervision. Good preparations should be made to carry out a provincewide settlement of payments in arrears; a good job should continue in inventorying warehouses to tap potential, and in handling products and materials that have accumulated in inventory to spur enterprises to put funds to use. Financial units should do further work in improving the financial settlement system, strictly observing settlement discipline to accelerate funds turnover. Possibilities for futures trading within the province and between provinces should be actively explored to ease the funds problem. Enterprises should steadily augment the funds they themselves supply in order to reduce the need for loans. In order to ensure that funds are concentrated for use, better macroeconomic control is required, and financial procedures should be streamlined. The opening of multiple bank accounts, making multiple loans, and raising funds for unplanned purposes should be guarded against, limited funds used where they are needed most.

Government financial difficulties remain very great in 1990, making the balancing of the budget a daunting task. The principle of keeping expenditures within income must be upheld. Vigorous efforts must be made to marshal revenues and also to pay attention to nurturing and developing new financial sources. It is necessary both to carry out a policy of retrenchment and also to support the development of various undertakings, doing the things that must be done. Collection work must be intensified, the collection of taxes according to

the law upheld, and all tax cheating and tax evasion rigorously investigated and punished to reduce the loss of tax monies and to enforce policies, all sums that should be paid being paid to the penny. Strenuous efforts are to be made to reverse losses and increase profits, industrial enterprises reversing losses 25 percent, commercial enterprises reversing losses 10 percent, grain enterprises reversing losses 11 percent, and all other enterprises keeping losses lower than during 1989. Funds management in grain enterprises should be improved, the amount of funds tied up reduced, and interest payments reduced. The key to a balanced budget in 1990 lies in cutbacks of nonproductive expenditures in a genuine belt tightening. Funds control should be improved, all expenditures strictly controlled, all self-accumulated funds examined, the transfer of production funds to consumption funds prevented, and all little caches of funds thoroughly ferreted out. The purchasing power of social groups is to be strictly controlled, control norms broken down level by level and assigned to specific units. Administrative government agencies are to curtail their operating expenses five percent. Control norms for expenditures set for cities and counties may not be exceeded. No jurisdiction or department may reduce the amount of prescribed receipts or increased the amount of prescribed expenditures. Those who exceed expenditures will bear responsibility. Control over wage funds is to be intensified, the overly rapid growth of consumption funds further restrained. Supervision and inspections are to be conducted, and the supervisory roles of banks, government financial departments, audit, and statistics units strengthened. Government financial subsidies are to be gradually straightened out as improving the economic environment and restructuring the economic order requires. Problems in enterprises left over from another time are to be dealt with in a planned way for a gradual elimination of historical accounts pending.

Institution of price control goals during 1990 is an important task for governments at all levels. Comprehensive control measures are to be adopted, unflagging attention given to this task. The price control objective responsibility system, which has been shown effective in practice, is to continue to be used; price control authority should be appropriately concentrated; prices of basic daily necessities are to be stabilized; and fee collection standards are to be straightened out, indiscriminate collection of fees stamped out, and arbitrary surcharges and price rises in the commodity circulation field halted in order both to stabilize prices and also to stabilize the masses' consumption mentality. The key to complete fulfillment of all tasks in overhauling companies and further rectification of wholesaling is the rectification of wholesalers dealing in commodities in very great demand such as grain, coal, petroleum, and processed steel. In the important consumer products circulation field, wholesaling should be under control of state-owned businesses and supply and marketing cooperatives. More supervision should be exercised over the quality of market commodities, quickly changing the continued

appearance in the commodity circulation realm of spurious and poor qualities commodities despite repeated prohibitions.

#### 5. Spur Scientific and Technical Progress: Strive To Do a Good Job in Education; and Develop All Social Endeavors

The development of science and technology, education, and all social endeavors has a bearing not only on the stability of the economy, but also plays an extremely important role in the building of socialist spiritual civilization.

In scientific and technical work during 1990, the key task should be the use of science and technology to build agriculture and to advance technological progress in enterprises. Scientific and technical forces everywhere should be mobilized and organized to do a good job of developing science and technology, demonstrating science and technology, promoting science and technology, and providing scientific and technical services. Wide use is to be made of competitions in the use of science and technology to build agriculture. Encouragement and support should be given to scientific and technical units and scientific and technical personnel to go to rural villages to conduct scientific and technical consulting, to provide scientific and technical services, and to do scientific and technical contracting. More must be done to promote the use in agriculture of scientific and technical achievements, special agricultural science and technology service teams organized to go into rural villages to provide roving services. "Spark plans," and "prairie fire plans" should continue to be thoroughly implemented. Science and technology should serve as the underpinning for comprehensive agricultural development work. Industrial and transportation enterprises are the mainstays of the national economy, and an important aspect of science and technology and the economy in combination. Reliance must be placed on science and technology during 1990 to improve enterprises' ability to absorb and develop technology to produce a marked rise in the scientific and technical progress component in increased gross national product. More combined efforts are to be made to solve enterprises' difficult technical problems, 20 major complete techniques, 100 new techniques and new technologies, and 400 key new products to be researched and developed. Scientific research and teaching units are to enter into lateral economic and technical partnership with enterprises in the launching throughout the province of a movement for the establishment of technical progress factories. They are to study and formulate policies for the support and guidance of technical progress in enterprises, for limiting the production of backward products, and for accelerating the spread of new techniques, new technologies, new materials, and new products, thereby enabling scientific research achievements to be translated into the production of excellent, new, and top-notch products. A number of enterprises that are able to absorb scientific research achievements are to be given support to enable them to develop with all possible speed. Scientific and

technical vanguard enterprise pilot projects are to be run for the formation of technical progress promotion bases at various levels. A comprehensive norm system is to be studied and formulated for evaluating enterprises' technical progress, and it is to be made a part of enterprise contracts. Policy guidance, administrative coordination and regulation using economic levers can be used to spur the upgrading and updating of products. Management systems that closely combine science and technology with the economy are to be built gradually to spur scientific research units to use diverse methods to enter the economic realm for the development of a new kind of scientific research-production operating entity. All scientific and technical development plans should be integrated, and "torch plans" should be implemented for the development of high technology and new technology industries, and to derive results and returns as quickly as possible. Promoting development of scientific and technical endeavors requires continued development under leadership of civilian-run scientific research institutions, vigorous development of technical markets, and the establishment of channels for the transfer of scientific and technical achievements. Investment in science and technology is to continue to increase in order to bolster the financial support system for scientific and technical progress, and to stir further the enthusiasm of scientific and technical personnel to play a greater role in advancing scientific and technical progress.

Education has to make a greater contribution in the training up of qualified socialist manpower. Throughout the entire process of building socialism, the struggle to win the educational high ground and to win youth will continue for a long time. Schools at all levels and of all kinds are primarily responsible for upholding a socialist teaching orientation, improving all-around education quality, and for training up completely developed "four haves" new people imbued with ethics, knowledge, and physical fitness. Schools must take a clear-cut stand in providing education in basic Marxist theory, and in socialism and patriotism, bolster education through labor and social practice, guide the broad masses of teachers and establishing a correct world view and outlook on life, and take the road of integrating with workers and peasants. During the period of improving the economic environment and restructuring the economic order, educational funds will not be cut despite the government's financial hardships, and the "two increases" are to be protected. The ideology of "relying on the people to run education, and running education for the people" is to be upheld, and regular channels are to be established for the pooling of money from all quarters to operate schools, and the subscription of funds to help schools to collect some money for use in improving teaching conditions. At the same time, a resolute halt is to be called to the indiscriminate collection of fees by secondary and primary schools. In basic education, the focus is to be on improving educational quality and improving teaching conditions, diligently carrying out the "Compulsory Education Law" for steady progress in establishing nine years of compulsory

education, and adopting effective measures for effective control of dropping out of secondary and primary school. In vocational and technical education, a policy of active development, providing education to meet needs, flexibility and diversity, and emphasis on results is to be carried out for the gradual shaping throughout society of vocational and technical education. Institutions of higher education are to continue to stabilize the number of students, optimize their structure, reform the control system within schools and the enrollment and assignment systems, and make full use of the advantages they enjoy in science and technology, and in intellect to improve capabilities for serving the building of socialism. Adult education is to follow the principle of learning for use. More should be done in training staff members and workers for job positions, and in the standardization and systematizing of vocational and technical training. Efforts are to be devoted to pre-school education. Hopes for vitalizing the race lie in education, and hopes for vitalizing education lie in teachers. More is to be done to build a teaching corps, efforts made to run teaching colleges and teacher refresher schools well. Teachers' working and living conditions are to be actively improved. The teacher commendation and awards system is to be put on a sounder footing, models established, and progressive teachers commended to encourage a spirit of selfless contribution among teachers.

Planned parenthood is a basic national policy. Governments at all levels are to place this work on their daily agendas of important things to do, and genuinely strengthen leadership to carry it out. Propaganda and education is to be intensified, and control methods and objective control methods are to be perfected. Departments concerns should actively coordinate to insure attainment of population control objectives. In health and medical treatment work, a revolutionary humanitarian spirit of "healing the wounded and rescuing the dying" is to be exercised, a solid job done in conducting campaigns in which the main goal is improvement of the quality of service, and fostering of a fine medical ethic and medical work style. The "prevention first" policy should be further carried out, in-depth patriotic health campaigns conducted, the prevention and treatment of local diseases, contagious diseases, and occupational diseases emphasized, and attention given to basic level health care work. Major efforts are to be made in control of pharmaceuticals to straighten out the pharmaceutical market. The focus in physical education work is on a good running of the 11th provincial games, and hosting the 17th national games, and efforts to make another excellent showing. At the same time, a mass body building campaign is to continue.

In newspaper publishing, radio and television broadcasting, and in cultural work, one hand should work on the elimination of pornography while the other hand works on the flourishing of activities. Departments concerned must actively cooperate in carrying out investigations and prohibitions, in crackdowns, in rectifying,

and in exercising overall control for further purification of cultural markets and creation of a fine social and cultural environment. While giving attention to the elimination of pornography, vigorous actions should be taken for the flourishing of socialist culture and art. In literature and art, an orientation of "serve the people, and serve socialism" is to be maintained, and a policy pursued of "letting a hundred flowers blossom, and letting a hundred schools of thought contend." The use of direct propaganda as the main means of highlighting the main theme of the age should be upheld. In mass cultural activities, the emphasis is on guidance and control, using rich and varied, flexible and diverse methods to provide the masses spiritual food for active improvement, and for civilization and health. New advances are to be made during the new year in work on earthquakes, civil defense, archiving, the writing of local annals, cultural artifacts, and museology.

Governments at all levels are to do more to build socialist spiritual civilization, and both intensify and improve ideological and political work centering around improvement of the economic environment and rectification of the economic order, and the deepening of reform. They should conduct education in patriotism, collectivism, socialism, communism, self reliance, and arduous struggle, linking it closely to people's real thinking. They should launch additional campaigns to learn from Lei Feng and to learn from "dangyi" [8093 5030], improve education in vocational morality and social ethics, gradually building new interpersonal relationships of equality, unity, friendship, and mutual help to bring forth a new socialist man possessed of ideals, virtue, culture, and discipline. The broad masses are to be unified and taught to uphold the four basic principles, to adhere to reform and opening to the outside world, and to persevere in fighting bourgeois liberalization and other erroneous ideologies. Extremely great creativity and enthusiasm is to be used to advance the cause of building socialism.

#### 6. Continued Adherence to Reform and Opening to the Outside World To Advance Stable Economic Development

Reform is the socialist system's means of self-perfection and development, and it is for the purpose of further developing the superiority of the socialist system. During the period of improving the economic environment and restructuring the economic order, reform has to center closely on improvement of the economic environment and restructuring the economic order. The main component of reform during this period is gradual building of an economic operating mechanism that combines the plan economy and the market economy. The deepening of reform during 1990 will concentrate on stabilizing and perfecting the various reform measures that have already emerged.

Stabilization and perfection. The output-linked contract responsibility systems, which is mostly family-operated, is to be stabilized and perfected; scientific and technical

systems for production are to be established and perfected; efforts are to be made to perfect two-tier operating systems in which centralization and decentralization are combined; and operations on a moderate scale are to be instituted in places having requisite conditions to advance development of the rural commodity economy. Enterprise contract business operating systems are to be further perfected. Numerous years of exploration of effective contracting mechanism is to be adhered to as a basis for promoting the beneficial ones and eliminating the disadvantageous ones. Existing contract policies and measures are to be consolidated, contracting base figures set scientifically and equitably; methods linking work and returns and enterprise self-restraint mechanisms are to be perfected, and all benefit apportionment relationships are to be taken care of. Specific contracting methods and requirements may change as a result of changes in the economic climate. In such cases, it will be necessary to proceed from realities in providing tailored guidance to enable follow-on work in contracting to unfold in a planned way little by little over a period of time to realize a smooth transition in enterprise contracting. Better control must be exercised over state-owned assets, and the good condition and increase in value of state-owned assets in contracting enterprises assured. Plant manager responsibility systems will be maintained and perfected; relations among the party, government trade unions, and the Youth League within enterprises will be handled well; the key role of plant managers in production operations will be applied to the fullest, as will the nuclear role of the party organization in politics and the role of staff members and workers as masters, all parties working together with one mind to run enterprises. State economic policies for enterprises are to be stabilized and perfected on the basis of new situations that arise. Multiple economic forms may develop so long as public ownership is maintained in the main; support for development of the collective economy is to continue, the individual economy is to be encouraged, and the privately owned economy is to develop within the limits that national policy permits. Lateral relationships among enterprises are to be promoted and enterprise blocs are to develop to advance readjustment of enterprises' organizational structure. Motor vehicle, chemical industry, metallurgy, paper making, and plastics entrepreneurial blocs, which help make the most of industry advantages, the benefits of scale, and of specialized cooperation are to continue to be founded and consolidated. In accordance with requirements of industrial policies, medium and small enterprises, enterprises making minuscule profits or experiencing losses are to be encouraged to ally themselves with large, dominant enterprises. The present irrational economic structure is to be gradually reformed. Governments and departments concerned at all levels are to do good planning, organization, and coordination work to advance the healthy development of enterprise partnerships. In view of requirements for suitable concentration and somewhat more planning, the reform of planning, government finance, banking, and materials should move ahead in the direction of building

a macroeconomic regulation and control system that helps overall balance and structural optimization. Various kinds of pilot projects in reform should be run in a planned way, and various deep-down problems in the economic system should be studied as improvement of the economic structure and restructuring of the economic order requires in further exploration of ways to deepen reform.

Further good work is to be done in opening to the outside world. The development of foreign economic relations and trade is both necessary at the present time to increase foreign exchange from exports, and is also an important condition for development of long-term stability. Export policies are to continue to be carried out and encouraged, the export product mix readjusted, exports increased, and imports curtailed to ease the conflict between foreign exchange earnings and demand. The maintenance and development of principal export products is to be used as a foundation for efforts to increase the export of industrial wares, particularly electro-mechanical products and small commodities. New customers are to be actively developed for the opening of new markets. Foreign economic and technical cooperation is to be expanded. Vigorous efforts are to be made to develop border barter trade. Labor cooperation is to be actively conducted through numerous channels, at many levels, and through many different means. Work is to be done in the use of foreign capital, and the digestion of imported capital, greater control exercised over foreign-funded and joint venture enterprises. Enterprises in which foreign businessmen have invested, and enterprises in which the province has invested abroad are to be run well so that joint ventures produce early returns. A good job is to be done in the planned repayment of loans. Construction of the Hunchun Open Economic Zone and Daan Port is to be accelerated. The Qianfu Economic Development Zone, the Meihekou Trade Zone, the Ji'an Open Zone, and the Changchunnan - Nanxin Technical and Industrial Park will continue to be run well, enabling them to play the role it should in the economic development of the province. In foreign affairs, overseas Chinese affairs, and Taiwan work, efforts should be made to develop the province's economic services. Efforts are to be made to open international tourism markets in active development of tourism.

The need to readjust its economic structure, and to augment materials and technologies in short supply drives the province's technical cooperation and exchanges, inter-province economic and technical cooperation and materials exchanges being actively developed. Links with coastal provinces and cities are to be improved and windows established in coastal areas to facilitate the prompt flow of information for the development of key projects in cooperation. Firm attention is to be given to cooperation in assembling raw and processed materials in short supply and to the construction of bases. Attention is to be given to the role of agencies abroad in providing information to advance economic partnerships and cooperation.

**7. Good Job of Supplying Markets; Skillful Provisions for the People's Livelihood**

Development of production should form the foundation for efforts to make city and country markets boom, and to provide properly for the people's livelihood. Satisfying the ever increasing needs in the people's material and cultural life is a major task for the government in organizing economic work, and it has a direct bearing on economic stability and social order. As masters in their own house, the people throughout the province share national concerns. In overcoming difficulties encountered in the economy, the government has to look at popular sentiment with a more open mind, and show concern for the masses suffering, organize markets well, and provide skillfully for the people's livelihood, so that the masses can put worries out of their mind to devote themselves wholeheartedly to construction. The overall trend in country and city markets throughout the province during 1990 is stable, but beneath this stability lies tensions and difficulties. Arduous efforts will be required in using effective supply as a basis for causing production and commodity circulation to enter a benign cycle as quickly as possible. Plans call for an 8.8 percent increase over 1989 in total commodity retail sales during 1990. Production and marketing must be dovetailed well as markets warrant. For commodities for which production and demand is basically even within the province, and for commodities for which the supply and demand outlook inside and outside the province is fairly good, efforts should be made from production to marketing to maintain stability or moderate increase, enabling steady improvement in market supply. Efforts should be made to improve the supply of oil-bearing crops and nonstaple foods. Continued attention is to be given to "market baskets," production and marketing arranged in accordance with the principle of maintaining the growing area, maintaining amounts, maintaining varieties, stabilizing policies, stabilizing prices, and production being slightly greater than sales. Production and supply of live hogs, cooking oil, and sugar is to be organized according to plan. Full use is to be made of the role of state-owned businesses and of supply and marketing cooperatives as main channels and "reservoirs" for further enhancement of capabilities to regulate and control markets. The market regulation fund system needs improvement to increase the amount of regulation funds gradually; the major commodity reserve system needs improvement, more purchases made of products that sell well; and both market needs and products needed in the people's daily life should be looked at in long-range terms.

Pressures to find jobs for laborers are very great in the province during 1990. The number of people to be placed has increased, and the external climate for placing people in jobs is extremely limited and requires a high degree of serious attention. This problem, which has a bearing on economic development and social order, must be given diligent attention. Forces in all parts of society have to be mobilized and organized for the active opening of production, business, and service avenues to expand channels for placing people in jobs. The living

problems of staff members and workers from enterprises that have stopped working or are awaiting work have to be solved skillfully. Governments and departments in charge of enterprises at all levels are to organize personnel to make regular visits to enterprises and to the families of staff members and workers to offer comfort for their poverty and suffering, and to help them solve real problems in their daily life. Staff members and workers vacationed from production are to be issued a certain percentage of their wages or given assistance to insure their families' basic needs. Macrocontrol over the social workforce is to be intensified, transfers from an agricultural to an nonagricultural status strictly controlled, and actions taken to even out surpluses and shortages of staff members and workers. Overall social planning and the degree of socialization of old-age fund insurance are to be used for step-by-step increase in the retirement pensions of staff members and workers from enterprises under ownership of the whole people, and overall social planning of old-age insurance for staff members and workers from collectively owned enterprises is to be actively pursued. Close attention is to be given to disaster relief and help for the needy, arrangements made for the production and livelihood of the masses in disasters areas. Support for the economic development of needy areas, border areas, and places where large numbers of minority people live is to continue to be placed on the path of prosperity as quickly as possible.

In both urban and rural construction, a policy of emphasizing key projects and steady development is to be maintained, basic facilities built as resources permit to improve the people's living environment.

**8. Safeguarding the Stable and Unified Political Situation**

Maintenance of a stable and unified political situation is an important prerequisite for steady development of the economy. Lacking a stable and unified social environment, nothing can be done successfully.

Some important new changes have occurred in the international situation, and although class struggle is no longer the main contradiction in society in China, it still exists within certain limits and could break out under certain conditions. While vigorously developing socialist democracy and a legal system, we must strengthen the dictatorial function of the state machine. We must closely watch the subversion, infiltration, and sabotage activities of hostile forces and hostile elements, cracking down on them at once. Illegal activities by illegal organizations are to be promptly discovered and resolutely stamped out. The "Assembly and Demonstration Law" is to be enforced, all spontaneous incidents actively prevented and properly dealt with; illegal activities among minority peoples to create disturbances, to instigate student strikes, work strikes, and to carry out unauthorized demonstrations are to be dealt with decisively and resolutely halted. Overall control over social order is to be increased, severe crackdowns conducted

against serious criminal offenses and serious economic crimes. Criminal activities including murder, rape, looting, and robbery, which are so reprehensible to the masses, are to be cracked down on strongly in the maintenance of a policy of "severity and speed" to increase the masses' sense of security. The "six evils" are to be thoroughly eradicated; mass vigilance and mass control intensified; the social prevention mechanism strengthened, and the role of grass roots government organizations and mass self-governing organizations in protecting social order brought into play to prevent and reduce crime. Social vices including gambling, prostitution, the kidnapping and sale of women and children, and the circulation of salacious materials are to be resolutely prohibited and stamped out to cleanse the social atmosphere. More is to be done in the building of public security forces, and the important role of People's Armed Police units and of the militia in safeguarding stability and unity is to be brought into play.

Since various difficulties and problems continue to exist in economic life at the present time, the masses hold quite a few grievances about our work. We must work harder on this. Stability at the grassroots is the foundation for the stability of the whole province. We must diligently resolve problems of instability in areas, systems, and units. We must promptly discover various elements of instability and take actions to solve them properly. More work must be done on letters and personal inquiries, the problems raised in letters and personal visits from the masses handled on the spot. More propaganda and explanatory work has to be done, carefully guarding against dealing with matters simplistically. Matters that the masses expose and report to the authorities are to be promptly turned over to the places and units concerned for diligent handling. Correct criticism and suggestions from the masses are to be accepted with humiliation and conduct quickly corrected. Personnel who truly raise a rumpus for no reason whatever and take the lead in going from place to place to cause trouble are to be strictly dealt with according to regulations.

The "Nationalities Areas Self-Government Code" and the party's nationalities policy are to be further implemented to consolidate and develop socialist nationalities relationships of equality, unity, and mutual assistance for the promotion of education, science and technology, and cultural endeavors in minority nationalities areas, to improve the scientific and cultural level of minority nationalities, and to give careful attention to the training of minority nationality cadres and various specialists. The party's policy of religious freedom is to continue to be carried out, and administrative control over religious activities increased. More is to be done in the building of government at the grassroots level. Good work in supporting the armed forces and providing for the dependents of servicemen and martyrs is to continue, a good job done of joint building by the armed forces and the people and by the police and the people, and of strengthening unity between the armed forces and the people.

National defense education is to be inculcated, establishing a psychology of "vigilance in peacetime," and increasing the national defense concepts of all the people.

More is to be done in the building of socialist democracy and the legal system so that government work better expresses the will and interests of the masses. This is an important aspect of the safeguarding of the orderly and unified political situation. The tasks we face are extremely numerous and daunting. Good government performance requires the support and supervision of the masses. Governments and departments at all levels should expand their contacts with the masses, and solicit widespread views from all quarters on decisions about major problems. The "Administrative Litigation Code" is about to go into effect. We must perform preparatory work well, and diligently accept supervision from the judiciary. We should willingly accept legal supervision from the people's congress and democratic supervision from the CPPCC, actively bringing into play the role of democratic parties and factions in government participation. We must maintain close contacts with mass organizations for the gradual building and perfection of a system in which the trade union, the Communist Youth League, and the Womens' Association democratically participate in government work. In the past, we did a large amount of work in administration according to law; nevertheless, failure to rely on the law, or failure to enforce the law strictly still exists. The government's building of a legal system for the future requires carrying out the principle of equal important to legislation and law enforcement. During 1990, we will continue to rally closely around improvement of the economic environment and restructuring of the economic order, formulating formulate administrative regulations to safeguard social order, and presenting a local ordinance bill to the people's congress. At the same time, a good job is to be done in enforcing the law and investigating major problems in the economy, education, and the peoples' lives. Propaganda and education about the legal system is to continue to be improved to improve cadres' and the masses' understanding of the legal system. Administrative law enforcement functions are to be improved, a law enforcement supervisory network built throughout the province to put the law enforcement and supervisory mechanism on a sounder footing. More is to be done in the building of the law enforcement corps, and in the strengthening of legal system institutions throughout the government. Firm attention is to be given to training in the legal system for steady improvement of the level of administrative law enforcement.

#### 9. Strive for Good Performance of Government Work; Insure Fulfillment of All Tasks

The first year of the 1990's is the assault stage in improving the economic environment and restructuring the economic order. Once the difficulties of this year are surmounted, the elements of instability in the economy will gradually disappear, and the entire economy will be able to get out of its predicament and go on to realize a

benign cycle. This is a test of the ability of government at all levels to control events, and it also places demands on our mental attitude, our work style, and and work methods.

First a revolutionary spirit of moving ahead in the awareness of difficulties, and striving to advance has to be built. The difficulties we face are truly serious. Having different mental attitudes can produce different results. Maintenance of a mental attitude of going all out to move ahead can triumph over difficulties. Lack of such an attitude can render us helpless. High morale stems from a correct assessment of the situation. After more than a year of improving the economic environment and restructuring the economic order, the economic climate has improved; and the various factors limiting economic development are in the process of taking a turn for the better. So long as we have the courage to overcome difficulties and make full use of the role of subjective dynamism, rather than blame everyone and everything in creation but ourselves, but instead rally spirits, actively move ahead, widen our horizons, and seize opportunities, we will be able to achieve development in the midst of adversity. Only by concentrating our energies on doing economic work to move the economy ahead, when there is abundant economic strength, all things can be accomplished. Governments and departments at all levels have to have a correct blueprint, chose correct goals, set clear-cut tasks, and perfect responsibility systems. They must also come up with new remedies as circumstances change. Work must focus on key areas for the placement of limited financial and material resources in key places where they will help economic and social development. We have to be adept at seizing opportunities. When opportunities are lost for doing many things, it will be difficult for large investments of capital and materials to achieve anticipated results. Firm attention must be given to the weak links in all work, and all individual achievements should be used to invigorate the whole. The greater the difficulties, the greater the need for leading organs and leading cadres to take the initiative in bearing responsibility, working more bravely to lead the masses to think of ways to eliminate the difficulties.

Second is full use of the functional role of government departments. The functional role of government departments is an integral part of government functions that should be further strengthened in the course of improving the economic environment and restructuring the economic order. Departments having overall responsibility have an important responsibility for macroeconomic control, and departments having specific responsibilities hold major responsibilities in the control of industries. They should fully exercise their roles in implementing industrial policies, formulate industry plans, regulate the patterns of distribution of enterprises, control blind development and duplicative construction, and promote technical progress in industries. They should pay attention to and study problems involving laws and regulations, and be adept at applying policies to

stir the enthusiasm of all quarters to achieve unity and cooperation between one department and another. Various contradictions intersect in economic and social life at the present time, and numerous matters cannot be solved by using a single formula. More has to be done that issue exhortations; work must be done painstakingly and specifically.

Third is improved work style and close relations between government and the masses. Maintenance of political stability and fulfillment of all tasks requires adherence to the mass line and carrying forward the party's fine traditions. Government organs at all levels should emphasize work at the grassroots level. Large numbers of cadres are to be assembled during 1990 to go into enterprises, rural villages, schools, and streets to determine popular sentiments, make friends, and do real deeds. They are to educate the masses in the situation, propagandize the party's and the government's plans and policies, and mobilize the masses to strive to fulfill all tasks for 1990. They are to listen earnestly and sincerely to the views, suggestions, and criticisms of the masses, using them to help improve government work. They are also to patiently and painstakingly conduct ideological and political work. They are to hold discussions with the masses, and use the wisdom of the masses to solve real problems in production, work, and daily life. The cadres sent down to the lower levels are to gain a deep understanding of the grassroots and of the masses to change unhealthy tendencies toward only floating on the surface and doing a superficial job. They should take part in production work to the limit of their abilities, truly make friends with workers, peasants, intellectuals, students, and people in other walks of life, becoming bosom friends.

Fourth is greater building in government agencies. Firm grip on the building of clean government to establish an image of honesty in performance of official duties is a key task in the building of government agencies. Generally speaking, the overwhelming majority of cadres in governments at all levels do a fine job and have many achievements to their credit in carrying out the party's plans and policies and in serving the grassroots, as well as in serving the people. However, it must be realized that individualism, liberalism, bureaucratism, and slack discipline still exist in some cases, and problems of abuse of official position for private gain, graft and bribe taking, and such violations of the law and discipline exist among a small number of people. During this new year, we must further heighten understanding and persevere in the building of clean government. We must strengthen leadership and put responsibilities in places one level at a time. We must make implementation of the 10 decisions on the building of clean government of the provincial party and provincial government a key task in the current building of clean government. We must focus on opposition to graft and bribery and the punishment of corruption the key in improving the investigation and disposition of cases. We must diligently investigate and rectify corruption and unhealthy tendencies in trades

and industries as their nature requires. Emphasis this year is to be placed on building and perfecting a system of honest government, a clean government mechanism having goals, requirements, and distinctive characteristics formed. Supervisory work is to be improved, regular comparisons made, inspections performed at any time, and attention given to finding and summarizing model cases to encourage healthy trends. In addition, decadent elements who hurt the party's and the people's endeavors must be severely punished in accordance with party discipline and national laws. They positively cannot be tolerated or given any quarter. The building of ideology, of organizations, and of work style in government organs is to be intensified. Full use is to be made of the role of government organs and the party organization as bulwarks, and of the role of party members and vanguard models. Study of Marxism-Leninism, Mao Zedong Thought and the works of Comrade Deng Xiaoping is to be given an important place on daily agendas. A study system is to be built, theory linked to practice, and efforts made to apply the Marxist standpoint, outlook, and methods to the observation, analysis and explanation of real problems. During this difficult period when all sorts of contradictions are so intricate and complex, unity and cooperation and concern for the situation as a whole is more important than anything. There should be unity and understanding, and mutual help between leaders, between top and bottom echelons, and between one unit and another. We must adhere to not saying anything that does not help unity, and not doing anything that does not help unity. We must wholeheartedly serve the people, work selflessly for the public interest, and oppose tendencies to put one's own organization first and to act out of personal interests. The principle of democratic centralism is to be upheld, major problems being discussed and decided by the collective, no single individual making decisions. The sense of efficiency and concepts of discipline should be improved for the building of a highly efficient, high quality work order to insure the smooth performance of all work. All units in provincial government organs are to hold a competition on the building of government organs during 1990. They are to play a model role in carrying out the party's plans and policies and in showing concern for the situation as a whole. They are to play a leading role in arduous struggle, in moving ahead actively, and in overcoming difficulties to complete tasks. They are to play an exemplary role in enforcing the law and observing discipline. They are to play a model role in industriousness and frugality, and in selfless dedication to duty. The launching of this campaign will produce a brand new situation in every aspect of our government institutions.

Delegates. The 1990's are an important period in the economic and social development of our province. A good job in 1990 will lay a foundation for the next 10 years. We must unite and lead the broad masses of the people under the leadership of the CPC Central Committee and the State Council with Comrade Jiang Zemin at the center, and under leadership of the provincial CPC committee. We must rouse ourselves to vigorous efforts

to make the country prosper, work industriously, triumph over difficulties, strive to complete all tasks in improving the economic environment and restructuring the economic order and in the deepening of reform, and advance bravely along the road of building a distinctively Chinese socialism.

### Shanghai Plans Large Container Transfer Center

OW0807002290 Beijing XINHUA in English  
1334 GMT 7 Jul 90

[Text] Shanghai, July 7 (XINHUA)—Construction of a large international container transfer center, which is expected to be the largest of its kind in east China, is to start here this year.

To be completed in four years with an investment of 25 million yuan, the center will cover an area of more than eight ha and have facilities for container piling, loading, dismantling and transfer. It will have an annual handling capacity of 80,000 containers.

It is being designed by the Shanghai Machinery and Electric Motor Design and Research Academy.

### State Exploitation of Xinjiang's Resources Defended

90CE0275A Urumqi XINJIANG RIBAO in Chinese  
10 May 90 p 1

[Article: "Exploitation and Use of Resources Make Xinjiang's Economy Prosper"]

[Text] Urumqi—On 2 May the editorial department of this newspaper invited the leaders of the autonomous region's economic departments and figures in economic theoretical circles to informally discuss the question of the exploitation of Xinjiang's resources. The comrades at the discussion enumerated a large number of full and accurate data and facts to show the major significance of resource exploitation for the prosperity of Xinjiang's economy and for the improvement of the life of all nationalities, and they refuted the fallacies spread on this question by the splittists.

Duan Zhenting [3008 2182 1694], chairman of the autonomous region's Economic Commission, said that a small number of splittists say that "the state's exploitation of Xinjiang's resources is a plundering of these resources." This, on the one hand, shows that they completely stand on the reactionary position of vainly wanting to split Xinjiang off from the PRC; on the other hand, it shows that they are benighted. The "Nationality Region Autonomy Law of the People's Republic of China" stipulates: "Each national autonomous area is an inseparable part of the People's Republic of China." Xinjiang is the PRC's Xinjiang. Xinjiang's resources, like the resources of all other areas in China, belong in common to the state and to the people of all nationalities in China. How can the exploitation of the resources of one's own territory be called plunder? The reason that

the state helps Xinjiang to develop its resources is to develop Xinjiang as fast as possible and to make the people of all nationalities in Xinjiang become wealthy as fast as possible. For example, the state has made a big investment in the Kekeya Oilfield, investing more than 500 million yuan in the building of the three petrochemical projects in Zeshan alone. Looked at from the angle of economic results, this is a losing proposition, because the economic scale is insufficient, and every year a loss of 20 million yuan must be taken. This loss was clearly calculated at the beginning of the above project. The reason that the state is engaged in this exploitation project is not to make money, but rather that the state considers that the project will be advantageous for making the people of southern Xinjiang get out of poverty and create wealth as fast as possible, and will be advantageous for improving the life of the people of all nationalities in southern Xinjiang.

Dawuti Aishan, [6671 0710 2251 5337 1472] director of the autonomous region's Goods and Materials Bureau, said: The development of Xinjiang by leaps and bounds today cannot for a single moment be separated from the powerful support of the state and the fraternal provinces and cities. In the early fifties, Xinjiang only had a small number of small mills, small coal pits, small leather factories, and small electric plants; and modern industry was a blank. Through exploitation and development we have now built large coal mines, steelworks, kerosene plants, textile mills, and so forth. Can one say that letting slumbering resources create wealth for the people of all nationalities is "plundering"? How can we go back to the years of small mills and small coal pits? In the process of exploiting its resources, Xinjiang has obtained enormous support from the state in policies, funds, and materials. Especially when we were in difficulties, the state supplied us with the materials we needed. Exploitation of resources is where Xinjiang's hope lies. The small number of splittists who oppose resource exploitation oppose the people of all nationalities in Xinjiang taking to road to prosperity.

Wu Xiang [0702 7534], deputy chairman of the autonomous region's planning commission, said: The splittists say to incite: "A large number of the resources exploited in Xinjiang are shipped to the interior, and the state takes away many advantages." This is quite absurd. In fact, because Xinjiang's industrial processing capacity is expanding with each passing day, and also because the exploitation of Xinjiang's resources had been very inadequate, Xinjiang ships very few resources to the interior, and its contribution to the state is very small. Now the main products sent to the interior from Xinjiang are crude oil, coal, and cotton; other products amount to next to nothing. The crude oil and cotton shipped to the interior is only about two-thirds of the annual gross output. The state has made a huge investment to exploit Xinjiang's resources, and has left the greater part of the profits from the exploitation in Xinjiang. Even if part of the products were shipped to the interior, the state practices a price policy of "distinguishing the internal

and the external, and giving consideration to Xinjiang." From the viewpoint of developing the product economy, from the viewpoint of "coordinating all the activities of the nation like pieces in a chess game," it is normal for part of Xinjiang's exploited resources to be shipped to the interior. If Xinjiang were to be sealed off and become an autarky, its development would be adversely affected. Capitalist countries invest in undeveloped countries and regions to get their resources at low prices. This unequal exchange is called plunder. Our situation is entirely different. While the state exploits Xinjiang's resources, it also in Xinjiang processes and uses these resources, so that in the process of exploitation Xinjiang becomes prosperous. The state's initial opinion was that in the first period the Tarim Oilfield, which is being prospected and exploited, would be built on the scale of 3 to 3.5 million tons, and its natural gas and crude oil would be processed and used by the localities. The state has also invested more than 10 billion yuan for the building in succession in Xinjiang of large ethylene, synthetic ammonia, and petroleum processing enterprises.

Yu Jili [0060 4949 0448], deputy director of the autonomous region's coal industry department, said that in the initial period after liberation Xinjiang's annual coal output was 178,000 tons and that last year it was 20.2 million tons. Over the past 10 years our region has produced 148 million tons of coal, 87 percent of which has been used by Xinjiang itself; only 13 percent was sold to the interior, and at higher prices than in the region. However, at the same time, more than 80 percent of the investment in coal production was made by the state, and the coal industry's annual loss of about 50 million yuan was also subsidized by the state. The state has also given Xinjiang enormous support in equipment and technical talents. From all of this one can clearly see whether the state supports Xinjiang's construction or plunders Xinjiang's resources.

Wang Jie [3769 2212], chief of the Finance Research Office of the autonomous region's Finance Department, said: Since liberation the central authorities' support of local finances has been tremendous. From 1953 to 1988 Xinjiang's local income was 15.562 billion yuan and its expenditure was 38.888 billion yuan. In the same period the central authorities' subsidy for Xinjiang was as high as 24.692 billion yuan. Especially over the past 10 years the state has given more subsidies to our region. From 1980 to 1988 the subsidy was 16.4 billion yuan. Over the past 40 years the scale of investment in all-people's owned capital construction in the autonomous region was more than 40 billion yuan, and the central authorities' subsidies and direct investment in our region amounted to roughly this same figure. It is thus obvious that, without the state's vigorous support, Xinjiang would not be as developed as it is today.

Liu Jiajin [0491 3946 6855], deputy director, and Dong Zhaowu [5516 0340 2976], deputy researcher, of the Economics Research Unit in the Xinjiang branch of the Academy of Social Sciences, said: Resource exploitation is a part of national territory exploitation. National

territory exploitation has an inseparable, overall nature. The state's overall plans and arrangements for, and its planned exploitation of, resources are a manifestation of the state's exercise of its sovereignty, and no one has the right to interfere with or oppose it. Economic development always accompanies resource exploitation. If some underground resources are not timely exploited, following the emergence of new technologies and the appearance of new materials, they will lose their original value.

## FINANCE, BANKING

### Views on Foreign Debt Control, Management

90CE0101A *Shanghai CAIJING YANJIU [THE STUDY OF FINANCE AND ECONOMICS]* in Chinese No 3, 3 Mar 90 pp 13-16

[Article by Ruan Hong (7086 4767): "Some Thoughts on China's Foreign Debt Management"]

[Text] Since the beginning of 1980's, the scale of China's foreign debts has expanded continuously at a speed of approximately 30 percent a year. Statistics published by the State Administration of Exchange Control show that the balance of China's foreign debts was \$40 billion at the end of 1988. In the beginning of the 1990's China is expected to enter the peak period of foreign debt repayment that will last seven to eight years. Under this situation, better understanding the objective basis and difficulties of China's foreign debt management in light of China's current situation in foreign debts and economic development is extremely necessary for solving problems confronted in the course of borrowing, using, and repaying foreign debts and thereby formulating countermeasures for China's foreign debts.

#### I. Internal and External Economic Environment and Difficulties in Foreign Debt Management

To strengthen foreign debt management, we must thoroughly analyze and understand the characteristics of internal and external economic environment in the 1990's and fully estimate the severe situation and difficulties of foreign debt management so as to make a correct choice of strategies and tactics.

##### 1. Foreign debt management under the "double-tight" environment.

To check the overheated economic growth and inflation, the state has adopted the principle of "tightening finance and credit." The "double-tight" environment has set forth new tasks for foreign debt management. A comprehensive look at the road taken by developing countries in utilizing international funds shows that absorbing foreign capital has double effects: It may make up the shortage of domestic funds, stimulate the import of advanced technology, and increase the infusion of capital goods and the supply of consumer goods. However, if we do not have strict control over the use of foreign

debts, we cannot avoid burdening the state with heavy debts. Economic difficulties which began to rise in the second half of 1984 are expressed as the overdistribution of national income, the oversupply of currency, consecutive years of deficits, an irrational industrial structure, and a chaotic economic order. This is related in many ways to problems in the foreign funds absorbed by China. First of all, under the situation of the insufficient supply of domestic resources, borrowing a large amount of money from abroad and using reserve foreign exchange to increase income is another important cause for economic overheating and high speed industrial development in China over many years, which in turn have worsened the shortage of domestic resources and the severe imbalance of industrial structure. Second, borrowing a large amount of foreign capital has also worsened the shortage of funds in renminbi. The infusion of foreign funds needs the coordination of a large amount of renminbi. Some people estimate the ratio to be 1:8. The extra-economic issuance of credit funds in the past few years has a vital bearing on the infusion of foreign capital. Under the condition of no reliable supply of renminbi, some localities and enterprises cannot but sell foreign exchange at the exchange regulation market or import raw materials to substitute for funds in renminbi to meet their urgent needs. This not only has increased the pressure of renminbi supply but also inappropriately expanded the scale of foreign debts. Similarly, paying back foreign debts can also directly increase inflation rate. Studies show that of all factors causing China's inflation since the 1980's, the most important ones are structural inflation and demand-pull inflation. However, there is no doubt about how the repayment of foreign debts has added fuel to the flames. The low level of China's exports and foreign exchange earnings forced us to export a large amount of domestic resources and commodities that were needed at home to repay foreign debts. This in turn worsened the shortage of domestic commodity supply and structural contradiction, led to the spiral of domestic prices, and escalated inflation. A large amount of foreign debt payment can further lead to an imbalance between revenue and expenditure, cause financial deficits to increase, stimulate aggregate social demand to expand, and eventually promote the demand-pull inflation at home. Because of this, under the "double-tight" environment, it is all the more necessary to strengthen the regulation and control of China's foreign debt management, prevent the negative effects of blind borrowing, strive to increase the favorable effects of foreign debts, and put the entire economy back on the track of a benign circle.

##### 2. Changes in the international fund-raising environment and foreign debt management.

The scale and structure of China's foreign debts and the on-coming peak period of debt repayment have attracted wide attention from abroad. Under the current condition, it is much more difficult for China to raise foreign funds. China probably cannot smoothly raise large amounts of long-term, preferential loans from other

governments and international financial organizations in the near future. Even with commercial loans, China can only get small amounts of short-term, high-interest loans on increasingly harsh terms. We can expect that the difficulty of the fund-raising environment and foreign debt management will also increase substantially in the 1990's.

### 3. Implementing the principle of "improvement and rectification" and strengthening foreign debt management.

In accordance with the state demand for "improvement and rectification," we should appropriately centralize financial and material resources and foreign exchange to gradually change the situation of unduly scattered foreign funds and foreign exchange, strengthen the unified management of foreign debts, rectify and clean up windows to foreign debts, and overcome the phenomenon of decentralized borrowing. At the same time, we should implement the slant policy in the utilization of foreign debts, centralize limited foreign exchange income (including foreign debts), and invest in the state's key development projects and large- and medium-sized enterprises in the order of priority to support agriculture, energy, communications, transportation, and other trades that are in great demand. This requires the rational allocation and effective utilization of foreign exchange resources including foreign debts. But we must not fail to see that centralizing foreign exchange which has been decentralized will cause many problems between the central and local authorities, the central and local governments, and the state and enterprises. We should pay adequate attention to many problems in the centralized and unified management of foreign debts that are caused by a series of practical issues such as the re-input of foreign debts needed for completing projects financed with self-raised funds.

## II. Problems in China's Foreign Debt Management

1. The foreign debt management system is irrational. This is expressed mainly as the lack of an authoritative, centralized management organ, too many channels and windows to raising foreign debts, and the lack of a set of sound foreign debt accounting and statistical systems. Currently, foreign debts are managed by many departments. The Ministry of Foreign Economic Relations and Trade manages government loans. The People's Bank of China is in charge of loans from the International Monetary Fund, the Asian Development Bank, and the African Development Bank, commercial loans, and the examination and approval of bond issue. The Ministry of Finance manages loans from the World Bank. The Ministry of Agriculture, Animal Husbandry, and Fishery and the State Education Commission manage respectively loans from the international Food and Agriculture Organization and the United Nations Educational, Scientific, and Cultural Organization. The Bank of China is in charge of loans from the Japanese Export and Import Bank and the export credit of all countries. The State Planning Commission is responsible for the scale of

foreign debts, the planning of capital construction, and the examination and approval of projects. This situation of management by multiple authorities has continued for many years, but there has not been an authoritative management organ that can take charge of all aspects of foreign debts and formulate unified foreign debt strategies, rules and regulations, and policies. In addition, China also has 10 great windows to commercial loans and bonds and nearly 100 various kinds of foreign fund raising organizations approved by pertinent authorities, and other types of local and departmental borrowing and repaying channels which do not need approval from other authorities. Moreover, these organs and units have begun to compete with one another on foreign markets. And since China's credit level is not high, its cost of raising debts is automatically multiplied, making it very easy to cause confusion in macroeconomic regulation and control. What worries us more is that the duties and legal status of various units in charge of foreign debt accounting are unclear and that the State Administration of Exchange Control, which is in charge of foreign debt statistics and monitoring, does not have a legal, compulsive, and regular foreign debt report system; not to mention the fact that it cannot perform the function of screening, counting, supervising, and managing all foreign debts or the function of carrying out comprehensive analyses and forecasts of foreign debts.

2. The structural management of foreign debt is less than perfect. The irrationality and functional defects of China's foreign debt management system are reflected in the structural management of foreign debts. The main problem is that structural optimization has not been realized in many aspects of foreign debts such as time limits, sources, types of currency, and interest rates.

First, the structure of time period. The proportion of China's short-term debts is greater than that of long- and intermediate-term debts. A few years ago, the proportion of China's short-term debts once reached as high as 40 percent, which dropped to 19.5 percent in 1988. The situation is improving, but it still requires adequate attention. Of China's long- and intermediate-term debts, the proportion of the latter is increasing rapidly. Short- and intermediate-term debts must produce economic returns that are higher than the interests of loans within a relatively short period of time. The increase of the proportion of short- and intermediate-term debts indicates that the time between the inflow and the outflow of foreign exchange has been shortened. This may cause greater pressure on debt repayment and move up the peak period of debt repayment. Second, the structure of sources. Of the balance of China's foreign debts in 1988, commercial loans (including loans from overseas and foreign-funded banks, buyers' credit and bonds issued abroad) accounted for 42.4 percent, foreign government loans accounted for 17.6 percent, overseas private deposits accounted for 13.9 percent, international financial organizations' loans accounted for 11.2 percent, and other forms accounted for 14.9 percent. In addition, the proportion of money borrowed from Japanese financial

organizations accounted for as much as 50 percent. If we fail to adopt effective measures, we are bound to fall into the control of one country, increase the cost of loans, and be subject to greater financial risks. Third, the composition of currency. The balance of China's foreign debts is composed mainly of Japanese yen and U.S. dollar. At the end of 1988, of the balance of foreign debts, Japanese yen accounted for 42 percent, the U.S. dollar accounted for 35 percent, and others accounted for 23 percent. Such currency composition is very different from that of China's export earnings. China's export transactions always use U.S. dollar as the pricing unit. Japanese yen accounts for only about 10 percent of China's export earnings, resulting in great risks regarding exchange rates. Fourth, the structure of interest rates. Of China's foreign debts, those of floating interest rates account for over 50 percent. Under the situation of insufficient market experience and low fund-raising level, it is very risky to determine the interest rate level of the repayment period according to changes in international financial market.

3. Foreign debt management is not scientific and systematic. We lack a set of necessary scientific decision-making procedures for each and every link of borrowing, utilization, and repayment of foreign debts.

First, borrowing. International financial market is fast changing. If a fund raiser enters the market without conducting a full market research and feasibility study, understanding the international economic situation, mastering and making a forecast on the changes of international capital market, he will not be able to make a rational choice. Currently, since we do not yet have a set of comprehensive foreign debt monitor and control indexes that suit China's national conditions, it is very difficult for us to adopt timely and flexible fund-raising measures in accordance with changes in the international market. We need to give overall considerations to specific questions, such as: What kind of projects do we have at home within a given time period? Which sources of external funds do they need? Do they need short- or long- term loans? Which market do they need to go to? What kind of methods should they use? What kind of currency and interest rates are more favorable? Second, utilization. Currently the problems are poor use efficiency and irrational direction of foreign debts. Due to a lack of unified planning, different localities and departments often proceed from local economic interests, ignore the state industrial policy, persist in encouraging fast economic growth, or blindly develop non-productive industries and consumptive investment, thus resulting in the low use efficiency of foreign debts. All departments are busy signing agreements and starting projects and not interested in the supervision and control or the final results of the use of foreign debts. The state has not established a corresponding financial system to carry out financial supervision and efficiency analysis of the use of foreign debts. The state does not have a set of scientific evaluation systems including standards for selecting loan industries and projects and efficiency indexes, so we do

not have a sufficient basis for the use of foreign debts. We are not good at preventing risks through financial means or other domestic supportive measures. We are not good at speeding up the turnover of foreign debt funds to increase the actual amount of foreign exchange in use. The proportion of foreign debts used in infrastructure and basic industries is lower than that used in general processing industries. The proportion of foreign debts used in the tertiary industry is higher than that used in the primary and secondary industries. The proportion of foreign debts used to import advanced technology is lower than that used to import whole sets of equipment and assembled machinery. The proportion of foreign debts used for export-expansion projects is lower than that used for the production of products for domestic markets. This is against China's general trend of thought to concentrate on the development of productive, technology-intensive, and export-oriented projects. Third, repayment. The lack of overall consideration in the course of borrowing and utilizing foreign funds will have a direct impact on repayment ability. Although China has not come to the point of a debt crisis, facing the repayment peak in 1990's, it needs to work out effective measures, make rational arrangements for the progress and plan of debt repayment, and find, through all channels, a repayment model that suits China's national conditions. In the meantime, the plan of a state sinking fund also needs to be put into action.

#### Several Countermeasures for Foreign Debt Management

1. Strengthen the centralized and unified management of foreign debts and develop the functions of various channels in fund raising.

Due to the actual current conditions, the co-leadership of several major departments will continue to exist for sometime to come. The key is to have an authoritative foreign debt management committee, which is directly responsible to the State Council or the standing committee of the National People's Congress, work as a coordinating organ to determine and formulate long-term plans, principles, and policies for the use of foreign debts; clarify the principles and methods for the use of foreign debts; work out in a unified manner strategic policies concerning the scale, structure, and direction of foreign debts; control the rhythm and progress of the use of foreign debts, integrate the functions of modern foreign debt management such as planning, monitoring, and controlling; and maintain China's initiative in the use of foreign debts. We should clean up and consolidate the many fund-raising channels and windows we now have and establish a few really powerful, high-level, foreign fund-raising organs which have good reputations. We should especially strengthen control over foreign funds that are borrowed and repaid by the localities themselves and strive to use the minimum cost to raise the most favorable funds. We should strengthen the unified foreign debt monitoring, statistical, and information management system to increase the sensitivity and accuracy of the reflection of foreign debt information and its value as policy reference. We should establish a

unified state sinking fund, improve China's reputation concerning foreign debts, and even out the risks involved.

2. Implement the industrial slant policy in the direction of the use of foreign debts, speed up the circulation of foreign exchange funds within China, and increase the efficiency of the use of foreign debts.

First of all, we must not practice "uniformity" in the direction of use, and evenly divide the amount of foreign debts among different regions and industries. Otherwise, we can only cause resources and funds to be scattered and efficiency to decline. The state should formulate an overall short- and intermediate-term industrial development plan that suits China's national conditions so that it can formulate supplementary policies slanted more in the direction of using foreign debts, guaranteeing a correct path for national economic development. The state should concentrate its support on the construction of transportation, energy, communications, and other kinds of infrastructure and major export-oriented and foreign exchange-earning industries and projects in order to effectively use foreign exchange funds where they are most needed. Second, we should balance the structure of the sources and direction of foreign debts. We should always give attention to trying to acquire more loans from foreign governments and international financial organizations, absorb and utilize more long-term and low-interest foreign exchange funds, and concentrate the investment of such funds on China's basic industries. We should pay special attention to developing, through China's export-oriented financial organizations, loans issued via the World Bank and the Asian Development Bank; as well as perfect and improve a series of management rules and regulations, including project evaluation and loan investigation and approval in accordance with the international practice of lending and loan transfer procedures. We should be cautious in using commercial loans. In view of the characteristics of commercial loans such as high interest rates, short repayment periods, and being easily affected by financial market fluctuations, we should invest more commercial loans in the light industry, machine building and electronics, oil, tourism, and other trades which have higher financial returns and greater export and foreign exchange-earning ability to guarantee the flexible turnover and smooth repayment of such loans. As for those industries and projects which have poor economic returns, which can be financed with domestic funds, or whose development is restricted by the state, we must not use foreign loans so as to achieve the goal of effectively checking the blind expansion of the scale of foreign debts. Third, we should vigorously use financial means to speed up capital turnover to maximize the use efficiency of foreign debts. When the progress of our projects is out of step with the plan of our money withdrawals, we should use the inter-bank foreign exchange lending and borrowing market at home to get short-term foreign exchange loans to alleviate the temporary need for funds on the one hand, and save on the

interest payments on foreign debts on the other. Of course, the key to effectively using financial means is that the localities and enterprises should further strengthen their concept of credit and not create unnecessary obstacles for the normal horizontal flow of funds.

3. Form flexible and multifarious ways of paying foreign debts.

One of the ways is to rely on the exports of commodities and labor to gather foreign exchange and reduce imports to increase the ability to pay debts. Post-war Japan did just this. It used a considerable amount of foreign debts directly on the development of export products, thus increasing the productivity of export goods, increasing its ability to compete and earn foreign exchange, and providing conditions for paying off foreign debts. Facing the increasingly acute competition of international market, China should step up the reform of foreign trade system, adhere to policies and measures that encourage exports, vigorously develop the production of export commodities, increase the ability to earn foreign exchange and pay debts, and, in accordance with the principle of giving consideration to both domestic and foreign markets, control and reduce the exports of scarce resources and primitive products. In addition, while striving to expand export to earn more foreign exchange, China should reduce as much imports as possible, strive for the balance of foreign trade payments with a little surplus, and form an effective repayment mechanism by expanding exports and reducing imports to meet the need of capital and interest payments on foreign debts. Another way is to rely on absorbing short-term foreign funds or raising new debts to pay back old debts. It takes some time for China's export to make substantial development, so relying on the foreign exchange earned from exports alone to pay back all foreign debts is also impractical. The coming of the peak period of debt repayment will have a definite impact on the credit of our country. If exports are not enough to pay off our debts or if regular trade items show a large amount of deficits, delayed debt payment will put us in a passive position. Because of this, to maintain a certain ability to clear foreign debts, we must vigorously open up and unclog various fund-raising channels, properly absorb some short-term foreign funds, or raise new debts to pay off old ones to ease the peak period and even out the burden of debts. The third way is to gradually adopt the method of diverting debts and explore ways to convert debts into capital. It is worth learning from the method of turning debts into investment implemented in some Latin American countries which are heavily in debt. In other words, turning debts into direct investment in China can reduce foreign debts and increase the amount of direct investment we needed—killing two birds with one stone. Although there is no need to do so extensively yet, we should try to choose some projects to explore the possibility of turning debts into capital in accordance with the principle of voluntary participation and mutual benefits to use as a supplementary method of debt repayment. This will be helpful.

**Enterprises Use Credit for Consumption Purpose**

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[Article by Zhang Minsheng (1728 2404 3932) and Zhang Shaohua (1728 0508 5478): "We Should Pay Attention to the Erosion of Credit Fund by Consumption Fund"]

[Text] The expansion of consumption fund—a chronic and stubborn disease of China—has not been effectively controlled. We think that the key reason is that we have not cut off the main source of supplies to the organism of expansion—the erosion of credit fund by consumption fund. Because of this, we need to find a countermeasure to prevent the erosion of credit fund by consumption fund and thereby attain the goal of effectively controlling consumption fund.

**Expressions of Consumption Fund Eroding Credit Fund**

In the state's current system, workers' personal consumption fund comes mainly from two sources: 1) wage, which comes from the cost of products, and enterprise workers welfare fund, which is retained according to a certain percentage of wage; 2) bonus and welfare funds, which are retained from after-tax profits. Due to the "loopholes" created by uncoordinated reform measures during the transition from old to new systems, the proportion of cost and profits used for workers consumption has been expanded and the erosion of credit fund—the main source of operation fund for enterprises—has begun in all areas such as policy, system, enterprise's own interest preference, finance, and society.

1. Policy-related erosion. First, after an enterprise delivers its commodities and goes through the procedure to have a bank collect its payment, it considers that the "sale is completed" and that worker's wage can be included in the cost. On the surface, it looks like that the enterprise has earned income from the sale, so it may issue wages, bonuses, and other benefits. But if the bank failed to collect the payment, the above "sale" would have been false and the enterprise would have used bank loans to pay for wages, bonuses, and tax and profit delivery to the state. This phenomenon is obvious especially in enterprises which make very little profits or lose money because their products do not sell. Second, in order to ensure that worker's income increases steadily under the condition of inflation, the state has implemented policies demanding that enterprises find their own way to pay for wages and vegetable and meat subsidies. For this, some enterprises have tried every possible way to misuse working funds and then use bank loans to fill up the blank. Third, in recent years, in order to straighten out the pricing system, the state carried out unified price readjustment for the sales prices of major capital goods and products. However, the state failed to adopt corresponding measures in a timely manner to urge enterprises to supplement their working funds with the excess value created by the price readjustment. As a result, this part of excess value was transferred out of the

sphere of simple reproduction in the form of profits, delivered to the state, or eaten up by enterprises. The resulting shortage of production funds could only be resolved, therefore, by increasing loans.

2. System-related erosion. First, enterprise's working funds are in name under the unified management of banks. In fact, the working fund management system is under the exclusive control of banks. Stimulated by weakening credit restrictions and low and negative interest rates, enterprises tend to use profits they retained to increase worker's welfare and bonus instead of developing production when they have to choose between the two. Second, after China implemented the tax-for-profit financial system, some local financial and tax departments wanted to pay more taxes and deliver more profits to the state and some enterprises wanted to give out more bonuses and raise worker's wages. Because of this, they failed to deduct losses from their yearly profits and calculate losses into their cost. As a result, some enterprises which claimed to have made money actually lost money. They misused bank loans, turning bank loans into income and enterprise's profit retention to be used indirectly as consumption funds. Third, under the current investment control system, "the bank pays for whatever the planning commission orders." Under the condition where there are multiple authorities for the examination and approval of fixed-asset investment, the proportion of direct bank loans in capital construction investment is on the rise and the phenomenon of "hidden loans" is also fairly serious.

3. Erosion related to the preference of interest of low-profit enterprises. First, enterprises with loans practice "flexible cost" to expand the expenditure of production cost so as to issue more wages, bonuses, and subsidies (or materials). Second, after enterprises were given pricing rights, some low-profit and money-losing enterprises raised prices to cover up their actual management situation. The additional funds they distributed was additional bank loans they acquired by switching debt relations in the circulating channel and by indirectly eroding other units. Third, after enterprises were given greater internal decision-making power in regard to wage, bonus, and welfare, in order to arouse workers' enthusiasm and win their support, some enterprise leaders were forced to adopt means of incentive to misuse enterprise funds earmarked for the expansion of reproduction and even simple reproduction as welfare and bonus funds. Fourth, forced by the rigidity of wages, bonuses, and benefits, enterprises which have been closed down, suspended production, lost money, or been "empty shells" not only use bank loans directly as wages and bonuses but also delay payment to other units in order to issue bonuses. Fifth, when enterprises use production and operation funds to directly participate in "welfare-oriented" fund-raisings or buy shares, the amount of dividends and bonuses they get are so great that they are out of proportion. Besides, they have nothing to do with the actual profit and deficit situation

of the enterprise. So it has become a disguised means to issue extra bonuses. This method is undoubtedly taking advantage of bank loans.

4. Financial erosion. First, according to the distribution or apportionment of state financial departments, enterprises have to buy treasury and municipal bonds. But since enterprises are short of funds, they can only withdraw special funds from the circulation of production to buy treasury bonds. The shortage of working funds resulting from the purchase of treasury bonds can be made up only with bank loans. Second, under the current financial policy of "fixing the base, ensuring delivery to the state, sharing above-quota profits, and making up no losses," many enterprises cannot make up their losses, resulting in de facto occupation of bank loans. Third, the amount of tax payment and profit delivery of banks have increased in recent years, but the credit fund allocated by the treasury to banks has however declined continuously, thus lowering the self-sufficiency rate of bank's credit fund.

5. Social erosion. Because the relation between enterprises and society is unclear in China, investment in non-productive facilities and expenditures for non-productive undertakings such as education, culture, and housing, which originally should be the responsibilities of society, are covered by enterprises alone due to the restrictions and influence of low-wage and supply systems and the departmental ownership system, resulting in the situation where "enterprises run society." And all fees supporting this situation come mostly from the erosion of bank loans.

#### Countermeasures for Preventing the Erosion of Credit Fund by Consumption Fund

From the diagnosis of the erosion of credit fund by consumption fund, we can tell that the erosion of credit fund by consumption fund is a "syndrome" caused by many different factors in the course of transition from old to new systems. Thus, to find a radical cure, we should also take into account all factors and find a comprehensive treatment.

1. The state should control the total amount of consumption fund to stop the misuse of credit fund for consumption purposes. First, in accordance with the need to control the total amount and suppress the total demand, the state should put under control the preliminary distribution of national income regarding its amount and sources and adhere to the principle that increase of workers' actual income is lower than that of labor productivity. Second, the state should strengthen financial and tax control and perfect the tax system. On the one hand, it should begin to levy new types of taxes to restrict enterprises' behaviors such as increasing profits by raising prices, allowing profit retention to grow faster than profit growth, and increasing the sources of consumption in the distribution of profits retained for their own use. On the other hand, tax departments should levy strict bonus tax on units which have issued above-standard bonuses and benefits. In addition, in view of the situation where enterprises have many

factors of animated investment, tax departments should include them in the bonus tax levy and keep them under control. Third, with regard to enterprises' surplus value created by price readjustments or increases, the state should adopt unit prices to readjust the headings of reserve funds and calculate enterprises' losses and gains in the price readjustments to restrict enterprises' behaviors of relying on price readjustments to increase their profits and expand the source of consumption funds. The state should urge enterprises to add all surplus value to their working funds. Fourth, it is necessary to establish an investment interest control mechanism to stop investment from taking over production. On the one hand, attention should be paid to establishing the self-restraining mechanism of the entity of investment and promoting enterprise's standard investment behavior through the self-control and self-regulation of the entity of investment. On the other hand, efforts should be made to establish a new investment system, which is centered on the industrial policy, guided mainly by state regulation and control, and organically combines the direct regulation of state investment and the indirect regulation of social investment behaviors, to keep the scale of capital construction strictly within the range allowed by state finance.

2. Enterprises should establish a microeconomic self-restraining mechanism of wage fund to suppress internal impulse to expand consumption. Under the condition where the movement of microeconomic interest groups overemphasizes the pursuit of interest and the state does not have internal or external restraints on such pursuit, we should abandon the current practice of linking enterprise's wage bill to actual profits and establish a dual-interest relation within enterprises. The basic trend of thought is: Enterprise's staff should be divided into two relatively independent interest groups, namely the state interest group and the workers interest group. The state interest group is composed of plant directors, deputy plant directors, chief engineers, and chief accountants; the workers interest group is composed of production workers and other enterprise management personnel. The wage of the state interest group comes out of enterprise's profits and fluctuates according to the size of profit; the wage of the workers interest group comes out of the production cost of enterprises. After major cadres and workers of an enterprise are placed under these two groups, if the enterprise tries to increase wages by adding expenses to production costs, an increase in production costs means a reduction of profits, and the reduction of profits is bound to first endanger the interest of the state interest group. If the state interest group wants to raise wages, it must increase the ratio of wages to actual profits, which is clear at a glance to the workers interest group in the monthly financial report.

3. Banks should pay attention to strictly controlling loans and strengthening cash control. In recent years, bank loan control has been lax, so doing a good job in bank loan control has become the key to preventing the erosion of credit fund by consumption fund.

A. Banks should "strictly control" the release of loans. This has two meanings: One is that the central bank should strictly control loans to specialized banks and specialized banks should strictly control loans to enterprises. To strictly control enterprise loans, specialized banks should: 1) Do a good job in the control of existing enterprise loans. Most credit funds eroded by consumption funds are among such loans. Banks should strengthen daily loan management and investigation work. If they find enterprises using loans for the purpose of workers consumption, they should regard it as the misuse of loans and double the interest payment as a sanction while withdrawing the same amount of loans. With regard to those low-profit, money-losing, and "empty-shell" enterprises which have been using bank loans to pay for wages and bonuses and which really cannot be saved, banks should dare to adopt drastic measures to urge them to merge or go bankrupt to prevent loans being used continuously to pay for wages and bonuses or to reduce loan losses. 2) Do a good job in new loans. The principle for issuing new loans is to satisfy the needs of those industries and enterprises whose development is supported by the "Order and List of Industrial Policies" of the state. In order to eliminate once and for all loans issued according to "notes" or "order," the state should formulate accordingly the "law of loan control" to clarify the decision-making power of specialized banks in loans.

B. Banks should "tightly control" the release of cash. First of all, specialized banks must strictly enforce the cash plan assigned to them by the People's Bank. Should they go beyond the plan, the People's Bank has the right to fine them accordingly. Second, all grassroots units of specialized banks should strictly enforce the procedures of examination and approval, strengthen counter supervision, hire special cash control personnel, establish an account for the expenditure of consumption counter, build a card file for unit cash management, and ensure that large amounts of cash go through strict procedures of examination and approval. Those who skip the procedures of examination and approval or commit mistakes or frauds in such procedures should be punished. Third, specialized banks must strengthen cash control and carry out frequent examinations of cash use in enterprises. When the People's Bank discovers an enterprise violating the "Temporary Provisions for Cash Control," it should impose on the enterprise's bank the same amount of fine it imposed on the enterprise to make specialized banks more responsible for tightening cash control.

## INDUSTRY

**Beijing Primary Light Industry Rebounds**  
90P30057A *Beijing JINGJI CANKAO* in Chinese  
4 Jun 90 p 1

[Summary] Beijing Municipality has finally emerged from the difficult economic situation by having readjusted the product mix on the one hand and by strengthening marketing management on the other. Beijing's

primary light industrial sales in the consecutive months of April and May have set a record.

At the end of 1989 and the beginning of 1990, 42 percent of Beijing's first light industrial enterprises slumped by a big margin in both production and profit return as the result of the government's "double tight" policy and market constraint. January's profit loss was 6.3 times that of the same period in 1989.

In April, the Beijing First Light Industry Corporation's sales reached 214 million yuan, exceeding its record monthly sales of 200 million yuan in 1988. The corporation's May sales exceeded April's.

## Total Industrial Values for 6 Months Listed

HK1607124390 *Beijing CEI Database in English*  
16 Jun 90

[Text] Beijing (CEI)—Following is a list of the total industrial values by area in China between January and June 1990, released by the State Statistical Bureau:

area	(unit: 100 million yuan)		
	1-6/90	1-6/89	p/c over 1-6/89
total	9254.39	6396.15	2.2
Beijing	302.77	217.80	3.9
Tianjin	264.86	187.02	1.1
Hebei	368.57	248.62	1.9
Shanxi	200.94	133.18	3.5
Inner Mongolia	107.10	65.99	2.0
Liaoning	638.66	442.97	-1.7
Jilin	239.58	159.94	-1.0
Heilongjiang	370.41	239.96	-2.5
Shanghai	728.15	512.56	0.4
Jiangsu	1026.24	769.51	5.3
Zhejiang	500.51	387.52	-2.0
Anhui	252.43	170.62	1.1
Fujian	194.85	133.55	7.0
Jiangxi	167.68	116.04	1.1
Shandong	762.15	503.13	7.7
Henan	352.21	234.29	0.5
Hubei	424.72	320.01	0.6
Hunan	297.66	196.87	2.2
Guangdong	736.24	499.96	8.8
Guangxi	149.69	92.50	5.3
Hainan	19.10	10.97	10.5
Sichuan	479.74	323.84	-1.3
Guizhou	87.61	55.55	3.8
Yunnan	152.63	81.61	8.4
Tibet	1.03	0.65	-3.1

	(unit: 100 million yuan)		
Shaanxi	169.79	126.51	-0.9
Gansu	119.99	79.95	3.1
Qinghai	25.05	14.71	5.2
Ningxia	28.62	18.06	5.9
Xinjiang	85.41	52.26	0.0

Note: Industrial output value in 1990 is measured in current price.  
Industrial output value in 1989 is measured in 1980's constant yuan.

### Guangdong Electronic Industry Becomes Export-Oriented

*HK1107051090 Guangzhou Guangdong Provincial Service in Mandarin 0400 GMT 9 Jul 90*

[Text] Guangdong's electronic industry is becoming more and more export-oriented.

In the first six months of this year, electronic product export volume exceeded 2 billion yuan, representing a 70-percent increase over the corresponding period of last year.

Export-oriented output value now accounts for more than 50 percent of Guangdong's total electronic industrial output value.

Over the past few years, the electronic industry has paid growing attention to finding more overseas markets for its products. Especially in the second half of last year, when China's domestic market became weak, a lot of enterprises in Guangdong adopted a series of measures to increase their product exports. For instance, Shenzhen Yuebao Electronic Product Corporation greatly increased its product exports in the first half of this year, and is expected to earn more than \$10 million.

According to a responsible person of the Guangdong Provincial Electronic Industry Bureau, the first half of this year witnessed a rapid growth in the export volume of all Guangdong-based, state-run electronic industrial enterprises. Now Guangdong's products can compete with those manufactured by Guangdong-based enterprises run with foreign capital, overseas Chinese capital, and with both Chinese and foreign capital, on the international markets.

### Light Industrial Value for 6 Months Listed

*HK1607125590 Beijing CEI Database in English 16 Jul 90*

[Text] Beijing (CEI)—Following is a list of the light industrial value by area in China between January and June 1990, released by the State Statistical Bureau:

	(unit: 100 million yuan)		
Area	1-6/90	1-6/89	p/c over 1-6/89
Total	4444.07	3235.99	2.2
Beijing	129.30	97.82	1.0
Tianjin	132.80	100.90	3.4

Hebei	161.47	120.22	-0.9
Shanxi	52.74	38.20	-3.6
Inner Mongolia	41.69	28.47	-6.7
Liaoning	186.49	144.21	-4.7
Jilin	95.63	67.23	-0.7
Heilongjiang	121.45	86.53	-3.2
Shanghai	376.97	284.67	0.0
Jiangsu	558.18	426.04	7.0
Zhejiang	315.54	247.75	-1.1
Anhui	129.64	96.04	-1.9
Fujian	118.07	85.74	-7.3
Jiangxi	73.32	56.21	0.2
Shandong	395.53	270.78	8.0
Henan	155.85	109.88	0.7
Hubei	193.03	158.14	-2.0
Hunan	126.91	87.44	1.9
Guangdong	495.03	346.49	11.5
Guangxi	84.54	56.34	5.1
Hainan	13.54	7.99	16.6
Sichuan	209.73	144.07	-3.2
Guizhou	37.41	23.54	1.1
Yunnan	84.95	42.26	11.2
Tibet	0.39	0.24	-4.2
Shaanxi	69.56	49.82	1.8
Gansu	32.36	23.70	-1.3
Qinghai	6.41	5.17	-12.6
Ningxia	7.22	5.47	-6.2
Xinjiang	38.32	24.63	-3.9

Note: industrial output value in 1990 is measured in current price.  
Industrial output value in 1989 is measured in 1980's constant yuan.

### FOREIGN TRADE, INVESTMENT

#### Foreign Investment Increases in Guangzhou

*90CE0274A Guangzhou GUANGZHOU RIBAO in Chinese 7 May 90 p 1*

[Article by correspondents Shen Tingzhen (3088 1694 4394) and He Xinpeng (0149 1800 1627) and reporter Ma Guining (7456 2710 1380): "Guangzhou Maintains Good Momentum in Foreign Investment"]

[Text] Guangzhou has vigorously attracted foreign capital and encouraged direct investment by foreign businessmen, with the result that our city's enterprises in which foreign businessmen have invested are developing and maintaining a good momentum.

According to statistics from the city's Industrial and Commercial Administrative Bureau, last year 286 enterprises in which foreign businessmen invested were newly registered, and the total investment and the contractually registered capital were respectively five percent and 34 percent higher than those of the year before. In the first quarter of this year, 64 new enterprises in which foreign businessmen invested were registered, an increase of 10 percent over the figure for the same period last year. Now, five new trends have appeared in the development of enterprises in Guangzhou in which foreign businessmen have invested:

**The industrial structure is moving in a rational direction.** Last year production enterprises were more than 90 percent of the newly registered enterprises; the more than 110 technically transformed enterprises were about 38 percent of the enterprises newly registered in all of last year. The total amount of investment in basic construction and raw materials industry was about 30 percent of the total investment last year; this proportion was the highest ever and results were extremely striking. For example, the total investment used by the city for electricity was nearly \$47 million, which increased the annual amount of electricity generated per year by 600 million kilowatt-hours.

**The enterprises are developing in the direction of becoming technology oriented and export oriented.** Last year, of the newly registered enterprises, more than 60 percent used fairly advanced technical equipment and modern management methods in production and business to promote product replacement, thereby pushing the domestic enterprises' products into the world's advanced ranks. The greater part of production enterprises are geared to the international market. Of them, 90 percent are enterprises that directly export more than 70 percent of their products.

**The scale of enterprises is continuing to develop in the direction of large- and medium-sized enterprises.** Last year, of the newly registered enterprises, 25 had over 10 million yuan in capital, accounting for nine percent of the total number for the year; about 29 enterprises were registered as having 5 to 10 million yuan in capital, accounting for 10 percent of the total number for the year. Another major trend in enterprise scope is that the average investment in an enterprise is growing; last year the average investment was 7.278 million yuan, an 11.41 percent increase over that of the year before.

**Enterprise capital is developing in the direction of making investment by foreign businessmen primary.** Last year, of the newly registered enterprises, the proportion that the foreign businessmen contractually undertook to pay out capital was greater than in all previous years, totaling 756 million yuan, which was 61 percent of the total of contractual capital registered by the newly registered enterprises in all of China and 20.4 percent higher than the figure for the year before.

**Wholly foreign-owned enterprises and Taiwan-capitalized enterprises are developing rapidly.** Last year 28 wholly foreign-owned enterprises were newly registered, and total investment increased by 449 percent compared to the year before. In the first quarter of this year, there were 15 new wholly foreign-owned enterprises. The number of enterprises run by Taiwan businessmen who have come to our city to invest is growing with each passing day. Last year the total amount of investment in contractual and wholly Taiwan-owned enterprises was 184 million yuan, an increase of eight times over the figure for the year before. In the first quarter of this year, 10 more Taiwan-capitalized enterprises were registered in our city, with a total investment of 34.9 million yuan.

#### **'Priority Watch List' Placement by USTR Deemed 'Unfair'**

*90CE0285A Beijing GUOJI SHANGBAO in Chinese  
5 Jun 90 p 1*

[Article by Zhang Yejiao (1728 2588 1207): "U.S. Announces Results of Review of Nations' Efforts To Protect Intellectual Properties"]

[Text] The U.S. Trade Representative [USTR] announced recently that the protection of intellectual properties in the world has improved considerably in the past year, so much so that this time around no nation was certified as a "priority nation" for investigation and retaliation under "Special Article 301" of the U.S. Trade Act.

Under "Special Article 301" of the 1988 Trade and Competition Omnibus Act of the United States, the U.S. Trade Representative is required to review and certify as "priority nations" before 30 April each year those countries that have failed to accord to the United States full effective protection of intellectual properties. The United States may apply trade retaliation against a "priority nation."

Brazil, India, China, and Thailand remain on the "priority watch list." China has taken a number of steps to improve the protection of intellectual properties, including drafting a copyright law and presenting it to the legislature for its consideration. But that law has not been promulgated and proposed amendments to the patent law exclude a number of major industries and products.

Another 19 countries and regions are on the "watch list." They are Argentina, Canada, Chile, Colombia, Egypt, Greece, Indonesia, Italy, Japan, Korea, Malaysia, Pakistan, the Philippines, Saudi Arabia, Spain, Taiwan, Turkey, Venezuela, and Yugoslavia.

In thus acting unilaterally to put more than 20 countries and regions on the watch list based on its own laws in order to threaten them, the United States has violated the principle of multilateral equal consultation.

When the United States first named 25 nations and regions as "priority watch nations" and "watch nations" back in May 1989, it already came under severe criticism from over 20 nations and regions on the special council of the General Agreement on Tariffs and Trade.

China has made significant headway in protecting intellectual properties in recent years, promulgating and implementing in succession the "Trademark Law" and "Patent Law." Under China's "General Civil Law," intellectual property is protected as a civil right. China has also joined the World Intellectual Property Organization [WIPO], the Paris Convention on the Protection of Intellectual Properties, and the Madrid Agreement dealing with trademark legislation. Within China, a "copyright law" has been submitted to the standing committee of the NPC for its consideration. The Computer Software Protection Regulations and Patent Law are being amended. Since April 1989 the United States and China have held two ministerial-level meetings on intellectual property issues. Although the United States later expressed satisfaction with the discussions, China remains on the "priority watch list," which the individuals involved think is unfair. Reportedly the departments concerned in the Chinese government have made representations to the United States Government in hopes that the issue will be resolved soon.

#### Prospects 'Bright' for Fujian Trade With USSR, East Europe

90CE0285B Fuzhou FUJIAN RIBAO in Chinese  
7 Jun 90 p 1

[Article by Wang Baiwei (3769 0130 0251): "Bright Prospects for Trade Between Fujian, the Soviet Union, and East Europe"]

[Text] Trade talks with the Soviet Union and East Europe organized by the Ministry of Foreign Economic Relations and Trade [MOFERT] began in Harbin yesterday and will last till the 15th. For the event, Fujian enlisted the participation of over 15 units led by the foreign trade corporation and put together 10 booths featuring more than 100 products in 11 broad categories. Reportedly the format will become permanent in the future; "Guangzhou trade fair to the south, Harbin trade fair to the north." Our next step is to establish a Fujian commodities exhibition hall in Moscow to serve as a window through which the Soviet people can get a better understanding of this province and its products.

Opening to the outside world should be across the board, not only to the capitalist West, but also to the Third World, the Soviet Union, and East Europe. Metaphorically speaking, we must open the "northern window" as well as the "southern window."

The prospects for developing trade between Fujian and the Soviet Union and East Europe are extremely bright. At present, there is a dire shortage of daily consumer goods in the Soviet Union and East Europe. Their governments have made repeated moves to increase

consumer goods imports. In contrast, Fujian has ample supplies of the goods required by the Soviet and East European markets. In recent years, we have already been sending a lot of merchandise to the Soviet Union through border trade in the northeast and some areas of Inner Mongolia. They have proved highly popular among the consumers. Particularly famous are domestic home appliances, articles of daily use, apparel, canned food, office computers, photographic equipment, building materials, and others. On the other hand, the Soviet Union boasts a range of industrial materials, machinery, and equipment that we need to transform old enterprises and put up new projects. Clearly bilateral trade and economic cooperation between us will be mutually beneficial. In January this year, the provincial foreign trade corporation was approved by MOFERT as the province's unified window to Soviet and East European trade and promptly set up the Soviet and East European trade department. In a few short months, it concluded several trade and cooperation agreements and soon Fujian computers, domestic electric appliances, video cassette tapes, and light industrial products found their way into the Soviet and East European markets. More recently, there have been continuous contacts between trade groups and delegations from this province and the Soviet Union, deepening mutual understanding. According to leaders of the Fujian foreign trade corporation, apart from barter trade, Fujian is also in the process of developing joint ventures and cooperative ventures with the Soviet Union, including a color picture enlargement project, which will fuel the exports of photographic equipment and color film. As economic reform intensifies in the Soviet Union, barter trade may gradually be replaced by trade using spot exchange. Formalities too may be simplified.

Of course, trading with the Soviet Union and East Europe remains a novelty for Fujian and is fraught with difficulties. Besides the excessively complicated formalities of barter trade, the most serious constraints include the extensive time needed to negotiate trade deals with the Soviet Union, as well as inadequate transportation capacity. Removing these obstacles will require full cooperation from all departments involved.

As economic and trade cooperation with the Soviet Union and East Europe unfolds, Fujian will open up even more fully to the world, and not only in an economic sense. In the long haul, as the East European economy changes and a unified market takes shape in West Europe, our trade with the Soviet Union and East Europe may open up a way to West Europe, which certainly will be invaluable.

#### Ningxia's Foreign Trade Picks Up

90CE0285C Yinchuan NINGXIA RIBAO in Chinese  
29 May 90 p 1

[Article by Li Jigang (2621 4949 0474): "Ningxia's Foreign Trade Picks Up"]

[Text] Ningxia clinched export deals worth \$18.37 million at the 67th China Export Commodities Fair, which closed in late April, thus boosting total exports by the region to over \$80 million so far this year, earning \$17.55 million in foreign exchange. Locally managed exports have increased 33 percent over the same period last year.

Exports fell substantially last year and inventories piled up for some products. The first half of the year is traditionally a slow period for exports. Bucking this trend, the Ningxia Foreign Trade Department has taken various measures ever since the beginning of this year to promote exports. First of all, it participated actively in many trade fairs to broaden its circle of friends and clinch more deals. It staged the Ningxia Export Commodities Show in Singapore in March and sent a 50-member trade delegation to the Guangzhou Spring Trade Fair in April. At every trade fair the Foreign Trade Department resisted heavy pressure from foreign businessmen to lower prices and took flexible measures to drum up more business. Second, the promotion of leading commodities has been intensified. Since last year sales of such mainstay products as cashmere, ferrosilicon, rugs, woolen blankets, and the fruit of Chinese wolfberry have been sluggish. To promote overseas sales, the foreign trade department organized a marketing group, which first studied the international market extensively and then used the results of the study to draw up an effective marketing policy. Consequently, sales have rebounded. Thus far 38,500 woolen blankets have been exported and 2,000 tons of ferrosilicon have been sold. Third, the region made the clearing of inventories the thrust of its export offensive. All foreign trade companies were saddled with bloated inventories late last year. At the beginning of this year, the department assigned all companies the task of selling off the goods in their warehouses. After extensive contacts and negotiations with foreign businessmen, over 20 million yuan worth of goods in stock were sold. Fourth, an effort was made to have people take the contract seriously, safeguard Ningxia's reputation, and open up the international market. Some of our region's shoddy and fake commodities made their way into the international market in the great export commodities war of 1988, to the detriment of the foreign trade reputation of the region. One result was that some products were forced out of the international market. To restore our foreign reputation and re-enter the world market, the Foreign Trade Department set up a strict contract compliance and creditability system this year and tackled the improvement of the quality of export commodities as the lifeblood of foreign trade. Consequently, our foreign reputation has been revived. Cashmere, for instance, was once carefully shunned by Japanese businessmen, but we exported 26 tons of cashmere to Japan in the first four months of this year, earning \$1.2 million in foreign exchange.

## LABOR

### Unemployment Seen As Theoretical, Practical Challenge to Reform

90CE0158A *Chongqing GAIGE [REFORM] in Chinese*  
No 2, 20 Mar 90 pp 95-100

[Article by Song Xiaowu (1345 2556 2745): "Unemployment: A New Challenge To Reform Theory and Practice"; data cited in the tables in this article are based on the State Statistic Bureau's information on wage statistics. Passages in boldface/italics as published.]

[Text] Some people say, the capitalist society's glittering sword of Damocles—unemployment—is once again hung over the heads of New China's workers. This may not be precise, but it does vividly depict China's present unemployment problem. In 1987, state-run enterprises in Hubei Province laid off 14,000 full-time workers in one year. By the end of summer 1988, there were 30,000 unemployed workers collecting welfare in Shanghai. In Beijing, after enterprises reshuffled the workers to optimized the labor-mix in 1988, as many as 10,000 full-time workers waiting for work in the plants were laid off permanently to join the ranks of society's unemployed. According to a XINHUA SHE report in August 1988, nationwide, approximately 300,000 full-time workers in the people's ownership system were dismissed from their posts and became unemployed. In the spring of 1989, a million civilian workers swamped Beijing, Guangzhou and other cities. The State Council General Department issued an urgent notice urging the local governments to tighten control. Unemployment has once again become a glaring problem in society. Getting a handle on the unemployment problem and formulating effective measures to deal with it are the new challenge to China's economic reform theory and practice.

### Old Problem and New Challenge

Unemployment is an old problem to any country with a commodity economy. And it is nothing new to any Chinese who has lived through the pre-1949 era. It has always been a problem of the greatest concern to the government of New China. Then why do we call it a new challenge to China's present economic development? Here, we will focus on comparing the characteristics of China's unemployment in the 1980's with those of the 1950's and 1960's.

#### 1. An overview of the unemployment situation in the 1980's.

First, it should be pointed out that since the founding of New China, much has been accomplished in the area of employment security. At the end of 1988, the nation had a working population of 142.67 million, 9.3 times the 1949 working population. In particular, during the last 10 years, with the introduction of the general employment policy which combines the three-part effort of the labor department, voluntary groups, and individuals to

secure employment, we have replaced the old employment system which depended solely on the state to guarantee and assign work. In addition, with the restructuring of the ownership system and readjustment of the industrial structure, we are no longer totally dependent on state-run enterprises and industrial enterprises to absorb the work force, and the employment security undertaking has been even more successful. Not only has the total employment capacity increased, but the distribution of workers in different industries and among different ownership systems is more balanced.

But, despite the above-described accomplishments, China has continued to see varying amounts of unemployment in the last 10 years (see Table 1.)

**Table 1: Town and Country Unemployment Figures At Year-end**

Year	Number Unemployed (10,000)	Unemployment Rate (%)
1978	530.0	5.3
1979	567.6	5.4
1980	541.5	4.9
1981	439.5	3.8
1982	379.4	3.2
1983	271.4	2.3
1984	235.7	1.9
1985	238.5	1.8
1986	264.4	2.0
1987	276.6	2.0

It is clear, looking at Table 1, that unemployment has been on the rise again after 1985. It is estimated that, due to rectification and improvement and capital construction cutback, this year's unemployment rate may top three percent or even four percent.

It should be pointed out that as reform deepens, enterprises will adopt new technologies, increase labor productivity, and lower costs to ensure themselves a place of strength in the market competition, and they will feel increasingly burdened by the surplus workers. Relevant studies indicate that, because we have practiced a "no exit" permanent employment system whereby the state guarantees employment for the young for the last 30 years, between the 1950's and 1980's, 15-20 million surplus workers have accumulated in the state-run enterprises. This kind of "under-employment" or "invisible unemployment" is not reflected in Table 1, but it is a even greater menace to China's economic development. To solve this "no exit" and its resulting "iron rice bowl" and "one big pot" problems, the state has adopted several reform measures, the most important of which are the four 1986 regulations pertaining to state-run enterprises' labor contract system and 1988's enterprise bankruptcy law and temporary provision on private enterprises. The implementation of the labor contract system allows enterprise managers to recruit and dismiss

staff and workers according to production needs, and when the workers' contract expires, they are free to look for other employment; but by the same token, they also risk unemployment. At the end of 1987, as many as 8.73 million workers, 6.6 percent of all workers, were covered by the contract system. Workers in bankrupt enterprises and private enterprises run an even greater risk of becoming unemployed. These factors, together with the inevitable change in the labor composition as a result of rectification and improvement, have produced a grim unemployment situation in China by the late 1980's. Also, as we mentioned earlier, people are once again talking about the sword of Damocles.

*2. New characteristics of the 1980's unemployment phenomenon*

(a) There was unemployment in the 1950's because Old China had left behind more than 4 million unemployed. New China's revamping of the old economic structure also led some people to lose their jobs. To solve the unemployment problem, the state decided to take responsibility for arranging work for all government employees and teachers as well as staff and workers of the bureaucratic and capitalist enterprises it had inherited. The government stipulated that no public or private enterprise could discharge surplus workers rendered unnecessary by production reform or by increased labor productivity. Units that used to hire those workers or their superior organs had to continue to pay those workers' wages and assign other work or provide training. It was also stipulated that enterprises had to pay the living expenses of temporarily or permanently disabled workers; the workers were not required to pay unemployment insurance. In the process of setting up joint state-private ownership in the capitalist industries and businesses in 1956, the general principle of "individual contracting under unified arrangement" was adopted, and work was arranged for all former workers of the once private enterprises, and no one was unemployed. At that time, the several measures adopted by the state were very effective in stabilizing the contingent of workers, and they played a positive role in the rapid economic development of the 1950's. Regrettably, affected by the "leftist" guiding ideology, these measures were not adjusted in a timely fashion to keep up with economic development; instead, they became ossified. As a result, they reversed their original direction and became an obstacle to further economic developments. In this sense, some of the employment reform measures of the 1980's, such as the labor contract system, enterprise bankruptcy law, and the controlled development of the private economy, have turned out to be directed at the measures adopted in the 1950's to solve the unemployment problem of that era. The resulting unemployment phenomenon is very different from that of the 1950's.

(b) In the early 1960's, approximately 20 million workers left the cities and headed back to the villages. This was due to the economic upheaval caused the Great Leap Forward. Primarily, what the government did was to

take administrative measures to send workers recruited from the people's communes during the Great Leap Forward back to the people's communes. The unbalanced economic structure since the late 1980's is not as serious by far as the situation in the 1960's, but economic readjustment has prompted the work force to drift back to the villages. According to information provided by the Ministry of Agriculture, since the state reduced capital construction and tightened credit, township enterprises have absorbed 50 percent less surplus rural workers in 1989 than in 1988, and many workers who had moved to the secondary and tertiary industries have returned to agriculture; the construction industry alone accounts for 5 million of these workers. Compared with the 1960's, the basic difference is that the rural areas have now implemented the family-based output-related contract responsibility system. Gone are the days of "eating from the big pot" in the rural areas, and the rural surplus labor force cannot be treated the way it was treated in the 1960's, when they were "asked to leave [the people's communes] and told to return [to the people's communes]," not to mention that, because the agricultural workers are more productive today, China's villages have approximately 80 million surplus workers of their own.

The above analysis demonstrates that unemployment, an old problem, has become a new challenge to China's economic development. In fact, in the wake of the thorough restructuring of the economic system, more and more people have come to realize that unemployment is a very sensitive issue. Failing to explain the unemployment phenomenon in the initial stage of socialism in theory, we will find it very difficult to deal with the problem in practice, and in turn we will find it impossible to make significant progress with other reforms which are closely related to unemployment, or rather, employment, such as, perfecting the market system, adjusting the industrial structure, and giving the enterprise mechanisms a new lease on life.

#### A Challenge to the Reform Theory

Unemployment in the 1950's was bequeathed by Old China; unemployment in the 1960's was attributable to policy errors. How do we explain unemployment in the 1980's? Theoreticians have launched heated debates over this, but so far there is no consensus.

1. Some people insist that there is no unemployment under the socialist system. Even if the workers are temporarily separated from the means of production, to distinguish the situation from the kind of unemployment under the capitalist system, it is referred to as "waiting for employment." The reason is, unemployment is the necessary by-product of the private ownership system and modern industrial development and is one of the inherent conditions of the capitalist way of production. As capital accumulation increases and the organic component of capital builds up, more and more workers will be displaced by machines. The population of surplus workers forms an available industrial reserve force

which is under the capitalists' absolute command. The capitalists can make use of this unemployed force to suppress the wages of workers who are looking for work, and they can increase the intensity of labor and exploit the workers even more. Under the socialist system, with the destruction of private ownership, workers and means of production are merged directly, and unemployment is eliminated.

2. Many people have suggested that we need to re-learn the unemployment issue under the socialist system. There are two theoretical preconditions to this re-learning process: First, we must have an objective definition of unemployment. According to methods used to compile unemployment statistics by the International Labor Council and other countries worldwide, unemployment refers to the state of joblessness of people of working age who are physically able and who want to work. Second, we should acknowledge the fact that China will remain in the initial stage of socialism for an indefinite period, and within this period, there will be commodity-money relationships to deal with, and we will have to continue to develop the private and individual economies to a reasonable degree. This is a far cry from what the founder of Marxism imagined to be the socialist society where private ownership is abolished and commodities and money are extinct. Therefore, we should not just cite Marx's conclusion that there is no unemployment in socialism; rather, we should take the basic principles of Marxism as a guide and try to understand China's unemployment phenomenon.

Stemming from these two preconditions, people have formed the following opinion: After their victorious revolutions, all socialist countries have at one time or another declared that they have found the solution to the unemployment problem. But facts prove that it is very difficult even for socialist countries to ensure that all working-age people able and willing to work have jobs. The state may use administrative means to force enterprises to absorb the entire labor force to eliminate unemployment, but this only creates a large amount of "hidden unemployment," which poses a huge obstacle to economic development. Relevant materials reflect that in the mid-1980's, Yugoslavia, Hungary, Poland, Romania, and the German Democratic Republic have also had their share of unemployment problems. China's unemployment rate has been hovering around two percent in recent years, but the "under-employment" rate in the ownership by the whole people system may be as high as 15-20 percent. As some socialist countries begin to implement economic reform and bring in some market mechanisms, their buried unemployment problems begin to surface. By the late 1980's, Yugoslavia's unemployment rate has reached double digits, and since implementing the labor contract system and the enterprise bankruptcy law, China's unemployment has become a real problem that requires real solution. Therefore, one after another, the socialist countries have been re-evaluating the unemployment phenomenon. Even in a vast but sparsely-populated country like the Soviet

Union, some scholars have come to acknowledge that under socialist conditions, "the system of discharging workers who are protected by society may be the key to the successful readjustment of the economic structure,"<sup>1</sup> and therefore it is possible to have unemployment in a socialist society. This demonstrates that unemployment may always accompany the capitalist system, but there is a more profound relationship: unemployment is the natural by-product of the commodity economy. Under a socialist commodity economy, the building up of enterprises' organic component will also produce a surplus labor force, the demand for labor will also change as enterprises expand or contract or go bankrupt amid market competition, and the labor composition will also change as the industrial structure changes.

If we take the analysis one step further, we will notice that there are different kind of unemployment: Involuntary unemployment, voluntary unemployment, chronic unemployment, cyclical unemployment, seasonal unemployment, structural unemployment, technology-rendered unemployment, partial unemployment, and hidden unemployment. Facts also prove that it is inadequate to rely only on administrative means to deal with the above-described change in the labor force. We must bring in market mechanisms to readjust the macro- and the micro-allocation of labor resources. This will temporarily separate the workers from the means of production, resulting in unemployment. Keeping a certain amount of joblessness can facilitate the readjustment of the industrial structure, optimize the competitive environment, increase labor productivity, which will be to the workers' overall and long-term benefit. From the point of the relationship between unemployment and the objective needs of the commodity economy, there is little difference between unemployment in capitalist societies and in socialist societies. The main difference is, in capitalist societies, unemployment is used by the capitalists as a means to oppress the working class; the phenomenon is class-antagonistic in nature, and the unemployment rate is usually very high. In socialist societies, on the other hand, unemployment can be looked at as a means for the working class to protect their interests as a group; it manifests the non-confrontational conflict between the workers as a whole and as individuals; usually, the unemployment rate is moderate. Looking at China's restructuring of the economic system, turning "under-employment" into real unemployment is a major breakthrough in the reform of the labor system. It is the precondition to both enterprises' and workers' free choice of employment and to a new labor utilization system which permits hiring and firing, which is relatively stable, and which allows reasonable mobility.

The theoretical debates on whether unemployment exists under the socialist system are still on-going. Apparently, the real unemployment phenomenon has posed a grim challenge to the traditional theories of political economy.

### The Challange to Reform Practices

It is said that China's reform theory has fallen behind her reform practice. The unemployment issue is a good example. While theoreticians are busy arguing over whether there is unemployment under the socialist system, practical reform has moved ahead. According to a JINGJI CANKAO report dated 18 April 1989, Guangdong Province has gradually commercialized its labor market. More than 50 percent of the people have found work or changed jobs on their own, and to complement this commercialization process, the province's labor department has been mobilized to put the jobless on welfare and resettle those who are changing jobs. Unemployment insurance organs at all levels have been set up to gather unemployment insurance fund to give social protection to this market-oriented employment practice. By the end of 1988, the province has amassed more than 640 million yuan in worker's unemployment insurance fund; 8,930 unemployed workers have signed up, and 3,400 of those have collected a total of more than 700,000 yuan in unemployment relief funds. To keep up with all these, organizations that support the commercialized job market are gradually being set up. At the end of 1988, there were 2,696 assorted employment service companies and 194 employment agencies in Guangdong Province, and private middleman services have also sprung up. Guangdong's experience proves that unemployment of course means trouble to those who are used to "eating out of the big pot" and "holding the iron rice bowl," but employment has its positive effects on economic development too. The most obvious is that people are gradually accepting the idea of occupational hazards, and this has enhanced their professional competitiveness. This point is proved by the fact that the number of people hired each year in Guangdong Province who have received job training as a percentage of the total number of people hired that year has risen from four percent in 1979 to 58 percent in 1988.

The measures Guangdong has taken to solve the unemployment problem are exemplary. Comparing these measures with the measures adopted in the 1950's and 1960's, the departure points are very different: In the 1950's and 1960's, the goal was to eliminate unemployment; today, the goal is to control unemployment. It was a difficult choice for China to make when the restructuring of the economic system came face to face with the new challenge of unemployment. It also marked a key reform step to meet the new challenge.

It is a very complicated and arduous task to control unemployment, minimize unemployment's negative effects, and maximize its positive effects. It needs the concerted effort of the state, enterprises, workers and staff, and society as a whole. In this respect, the following are what China has already done or should proceed to do:

1. Controlling the labor supply: In principle, this means reducing the number of workers while training better workers.

**Controlling the population growth.** China has a population of 1.1 billion. It exerts tremendous pressure on employment. Since the government included birth control in the national economic plan in 1973, population increase has slowed by 200 million over the last 18 years. Family planning has been a huge success. But in recent years, the birth rate has been creeping up again. We must not let up. In all but a handful of regions, the policy of "one child per couple" must be upheld. This is a crucial project which will help control the labor supply quantitatively.

**Improving the quality of the population.** There are around 200 million illiterates in China today. Many young people have no professional, technical knowledge. As a result, enterprises are in urgent need of specialized, qualified personnel while many young people cannot find work. The solution to this problem lies basically in the vigorous development of educational undertakings, including vocational education of all types. In addition, if enterprises or society would sponsor adult education or professional training classes, it would help reduce structural unemployment and technology-rendered unemployment. Although educational undertakings have made good progress in the last 10 years amid reform, we are far from meeting the needs of population growth and production increase. In the future, we must

pay more attention to education. This is a basic, qualitative approach to limiting the labor supply.

2. **Controlling the demand for labor:** in principle, this means developing the economy and increasing the quantitative demand for workers.

**Increasing labor productivity.** Basically, one way to increase labor demand is via expanded reproduction, and funds needed to finance the expanded reproduction must come from increasing labor productivity. So far as individual departments or enterprises are concerned, a higher degree of mechanization and automation will reduce the need for labor. But from society's point of view, increased labor productivity will promote scientific and technological advancements and will lead to the development of new lines of production and new services, which will increase employment opportunities. The practice of "putting five men to do the job of three," which sacrifices labor productivity for the sake of full employment, is like drinking poison to quench thirst—we will be destroying ourselves at the end. In some of China's densely populated major cities and in the coastal region, because of high labor productivity and rapid economic growth, the unemployment rate has turned out to be lower than the sparsely populated northwestern region, which proves our point (see Table 2.)

**Table 2: A Comparison of the 1986 Labor Productivity Rates and Unemployment Rates of Some Coastal and Western Areas**

Region	Shanghai	Tianjin	Jiangsu	Zhejiang	Fujian	Guangdong	Shaanxi	Gansu	Qinghai	Ningxia
Labor Productivity Rate	15,364	10,298	5,357	4,437	4,155	2,732	2,827	2,827	3,301	3,351
Unemployment Rate	0.6	1.8	1.1	1.6	1.8	1.8	2.5	2.9	5.9	4.3

(The labor productivity rates are based on society's total output value. Unit: Yuan/Man Per Year)

**Developing the economy evenly.** An over-heated economy can absorb an excess amount of labor within a short period of time, but its consequence is economic readjustment, which always leads to structural unemployment. China has repeated this mistake again and again, and it has made the employment security task very difficult.

**Readjusting the industrial structure and the accompanying employment structure.** Overall, China's tertiary industry has undergone rapid development in the 1980's (see Table 1) but it is still underdeveloped compared to other countries (see Table 3).

**Table 3: Employment in the Tertiary Industry as a Percentage of Total Employment (Unit: Percent)**

Country	United States	Japan	Britain	Soviet Union	Hungary	India	Philippines	Burma	Brazil	China
Year	1986	1986	1986	1986	1986	1985	1985	1985	1985	1987
Percentage	68.9	57.1	66.6	42.8	40.0	56.9	36.6	23.3	49.3	17.4

Within the foreseeable future, vigorous development of the tertiary industry is an important way to reduce unemployment in China's cities and towns.

**Developing township enterprises.** In the 10 years since reform began, because of increased agricultural labor

productivity, 160 million surplus workers have left the villages, and half of them, or 80 million, have been absorbed by township enterprises. It is estimated that by the year 2000, a total of 200 million surplus workers will have left the villages. The government's goal is to move another 100 million surplus rural workers by the end of

the century. Obviously, this huge reserve labor force is more than the cities can absorb; most will have to be absorbed by township enterprises. Unlike the Western nations during the early period of industrialization, China cannot send her workers out of the country. Since the existing urban population is already exerting tremendous pressure on employment, how to successfully shift the surplus agricultural labor force, an inevitable by-product of industrialization, has become a critical issue in China's economic development. A decade's experience proved that township enterprises can help the rural surplus labor "leave the soil without leaving the village" and shift to another sector temporarily, and through township enterprises' own lateral development and other means, the rural surplus labor force can be freed from the bondage of the land. This transition process suits China's real conditions. For this reason, in the long-run, it is of strategic importance to China's employment security task and her economic development to vigorously develop township enterprises. The purpose of making moderate adjustments in township enterprises during the present economic readjustment is to ensure their healthy future development.

**Increasing labor export.** Exporting labor is one way to increase labor demand. Since the State Council approved the opening of foreign labor contract companies in 1978, China's labor export has been developing very rapidly, but we lag far behind those countries which have a well-developed labor export trade. In 1985, China accounted for 0.345 percent of the world labor export trade. Take labor export as a percentage of the total population for example: Egypt's labor export is nine percent of her population; Pakistan, 10.7 percent; China's labor export is less than 0.006 percent of her population. Of course, labor export is not a one-sided decision. If we want to export more labor, we must train better workers and enhance China's ability to compete in the international labor market.

3. Controlling the labor flow: In principle, this means guaranteeing the basic everyday needs of the jobless when they are temporarily separated from the means of production. Society should provide vocational training or retraining to maintain social stability. At the same time, we should utilize the market mechanisms to create job competition, so that the unemployed want to undergo vocational training and retraining.

**Setting up and perfecting the intermediate control organs.** Guangdong's experience proved that the assorted labor service companies, talent exchange centers, and employment agencies can act as middleman to control the labor flow. It should be pointed out in particular that labor service companies are the creation of the restructuring of the labor system in China. Since the state approved their formation in 1978, labor service companies run by local governments as well as enterprises and institutions have generally developed rapidly. In the last 10 years, they have played a major role in organizing various economic undertakings, securing employment for the workers, and setting up job training and so on. Their principal duties

are as follows: (a) register workers, including rural workers who have come to the cities to look for work; gather, organize, and manage information and statistics; ascertain and understand society's labor resource situation; (b) operate employment agencies and provide job information, consultation services, and employment guidance and provide a service to both employers and employees, letting them make their own choices; (c) take care of the surplus enterprise workers and society's unemployed and provide them with vocational training and retraining and open doors to new production possibilities and help the jobless to help themselves; (d) manage the collection, dispensation, and utilization of the worker's unemployment insurance fund and provide social protection to the jobless. A unique feature of the labor service companies is that they recruit workers for the publicly owned and collective enterprises and institutions as well as for the private enterprises and individual households. So far as the employment system is concerned, the barrier of different ownership systems has been broken down, laying the groundwork for a unified socialist labor market. Yet, this does not mean that the labor service companies are in full control of the labor flow. Most labor service companies are under the jurisdiction of enterprises and institutions. This very much limits their role, and it also prevents enterprise productions from becoming more specialized. Many plant supervisors and managers feel that the next step of reform should be to gradually separate the labor service companies from enterprises and institutions, so that they become social service organs truly capable of regulating the labor flow.

**Establishing and improving the unemployment protection system.** In 1986 the State Council promulgated the "Temporary Regulations on State-run Enterprise Worker's Insurance For Workers Waiting For Work," which applies to: (a) staff and workers of enterprises which have declared bankruptcy; (b) staff and workers laid off from enterprises on the brink of bankruptcy which are undergoing reorganization as required by law; (c) when a worker's contract is terminated or cancelled by an enterprise; (d) if the worker is discharged by an enterprise. The insurance fund is paid by enterprises based on one percent of the standard wages of all workers employed and is subsidized by the local governments. There are explicit rules regulating the scope of use and method of dispensation of the "waiting for employment" insurance fund. For example, a worker with five years' or more experience who worked for a now-bankrupt enterprise or whose labor contract has been terminated or cancelled is entitled to 24 months of unemployment benefit at 60-70 percent of his standard wage each month during the first year and 50 percent during the second year. What is interesting is that the 1986 regulation avoided the term "unemployment" and used the term "waiting for employment" instead. But the content of this regulation clearly makes it the forerunner of China's unemployment insurance system. The problem is, this

regulation applies only to state-run enterprises and is inadequate if we are talking about controlling the labor flow in society as a whole.

**Establishing and perfecting a labor arbitration organ.** As the labor force becomes more mobile, it is inevitable that there will be conflict with the hiring units. The resulting conflict in China is nonconfrontational, but if handled improperly can problems arise. With the implementation of the labor contract system and enterprise bankruptcy law, administrative measures alone are no longer sufficient to deal with this kind of conflict. We must set up and perfect a labor arbitration organ to guarantee the legal rights and privileges and both the workers and the hiring units and to ensure social stability. Since the 1950's, after the socialist transformation of industries and businesses was complete, the labor arbitration organs have been abolished; all labor disputes have been settled by administrative means. In 1986, the State Council promulgated a set of temporary regulations on labor arbitration in state-run enterprises. Today, most regions have set up their own labor arbitration organ and have resumed labor arbitration work, but the application is limited to state-run enterprises. The next step should be to expand labor arbitration to cover the collective, individual, private, joint-venture, and wholly foreign-owned enterprises to help stabilize society's labor flow.

#### Footnote

1. B. KEQILONGKEFU [as published]: "Is Unemployment Possible Under the Socialist System?" KOMMUNIST (Soviet magazine,) No 14, 1987.

## POPULATION

### Single Population on Rise

90P30047A Guangzhou NANFANG RIBAO in Chinese  
2 Jun 90 p 6

[Text] According to the Statistics Bureau's figures, China has 15 times more single males than single females. The singles population between the age of 28 and 49 is increasing.

In 1982, the singles population between the age of 28 and 49 was 11,269,362, accounting for 4.36 percent of the total population in the same age group. Among them, the 10,555,559 single males accounted for 7.78 percent of the male population in the same age group; the 713,803 single females accounted for 0.58 percent. The figures show that single males are 15 times more than single females.

In 1987, the State Statistics Bureau conducted a one-percent sample survey which showed an increase to 11,363,100 singles between the age of 28 and 49. The 10,642,000 single males accounted for 7.04 percent of the total male population of the same age group; the 721,100 females, 0.51 percent of the total female population of the same age group.

As far as regional distribution is concerned, more single females with secondary or higher education are found in

cities, especially large cities. Single males with little education are concentrated in rural areas, especially in the remote and poor countryside. In 1987, the distribution of singles in the age group 28-49 was as follows:

	Male	Female
Cities	14.8255 percent	56.13 percent
Towns	15.20 percent	14.41 percent
Counties	69.98 percent	29.46 percent

## TRANSPORTATION

### Railroad Nears Completion in Western Xinjiang

OW1607061890 Urumqi XINJIANG RIBAO in Chinese  
29 May 90 p 1

[Text] The construction of the western section of the Lanzhou-Xinjiang Railroad, stretching from Jinghe to Alashankou, is in its last stage. With the completion of the 78-kilometer long foundation, track-laying began on 26 May. The construction of railroad stations at Jinghe and Alashankou is being stepped up. With great enthusiasm, the construction workers are determined to work hard in the last 100 days in order to complete the section and connect it with Soviet railroad by early September.

According to an agreement signed between the railroad construction delegations of China and the Soviet Union, the western section of the Lanzhou-Xinjiang Railroad should be connected to Soviet railroad in the third season of this year. In order to make the connection on time, the building units—including the First Engineering Division of the Production and Construction Corps [bing tuan gong yi shi 0365 0957 1562 0001 1597], and the First and 15th Engineering Bureaus of the Ministry of Railways—began track-laying on the Jinghe-Alashankou section as soon as they finished the job on the other section ending in Jinghe. The three bridges on the Xinjinghe, Laojinghe, and Bortalahe are key projects being built by the First Engineering Bureau of the Ministry of Railways. The builders at first had difficulties in driving piles with three-metric-ton and six-metric-ton pile drivers. Later, they overcame the technological difficulties by applying high-pressure water jetting and pile driving simultaneously, but the construction time was prolonged. In order to make up for the lost time, the workers gave up their off days and worked overtime. By 20 May, the three bridges were still under construction, but all tunnels had been basically completed. The track-laying on the section between Jinghe and Alashankou began on 26 May.

On 13 May, Huang Baozhang, vice chairman of the Autonomous Region, held an engineering work meeting in Bole and solved some urgent difficult problems for the building units. The Beijiang [North Xinjiang] Railroad Company has put forward the slogan of "working hard for 100 days to advance toward the point of connection, complete the bridges, and make contributions to the country." Since 15 May, the cadres and workers of the 15th Engineering Bureau of the Ministry of Railways have cancelled off days, and two shifts of workers,

instead of one shift, have been doing the track-laying job. The First Engineering Bureau of the Ministry of Railways is determined to overcome the difficulties caused by floods and complete three railroad bridges by 20 June.

**Volume of Transportation for January-June**

*HK1707125390 Beijing CEI Database in English  
17 Jul 90*

[Text] Beijing (CEI)—Following is a list of volume of transportation and post and telecommunications service between January and June 1990, released by the State Statistical Bureau.

	Unit	1-6/90	1-6/89
cargo	100 m t	12.85	13.09
railways	100 m t	7.38	7.21
auto	100 m t	2.81	3.09
ships	100 m t	2.66	2.79
caac	10,000 t	15.03	15.70
circulating cargo	100 million tons/km	11198.23	10408.14
railways		5282.54	5014.52
auto		175.94	201.63
ships		5736.55	5188.43
caac		2.20	3.56
passengers	100 million persons	26.83	29.01
railways		4.75	6.01
auto		21.03	21.75
ships		0.99	1.18
caac	10,000 person	615.20	654.89
circulating passengers	100 million persons/km	2377.43	2793.07
railways		1286.91	1631.53
auto		928.84	968.11
ships		73.96	94.43
caac		87.72	99.00
cargo handling of main coastal ports	100 million tons	2.23	2.31
circulating volume of civil aviation	100 million tons/km	9.60	10.78
volume of post and telecommunication	100 million yuan	36.7	30.30

**Preparations for Shaanxi-Ningxia Electrified Railway**

*OW1807190490 Beijing XINHUA in English  
0737 GMT 18 Jul 90*

[Text] Xian, July 18 (XINHUA)—Preparations for building an electrified railway from Baoji, Shaanxi Province, to Zhongwei, the Ningxia Hui Autonomous Region, are well under way.

The 498.2-kilometer railway will link the Baotou-Lanzhou Railway in Zhongwei to the Longhai (Lianyungang-Lanzhou Railway) in Baoji.

A local official said that when the railway goes into operation in four years, it will help alleviate the transport shortage and increase the volume of goods transported on the Lanzhou-Xinjiang and Baoji-Lanzhou Railways, boosting the economies of these areas.

**Shipbuilding Industry Gets More Business**

*HK2107045490 Beijing CHINA DAILY in English  
21 Jul 90 p 2*

[Text] China's shipyards have enjoyed rising business in the first six months of this year.

Zhang Zhaoqi, a spokesman for the China State Shipbuilding Corporation (CSSC), yesterday told CHINA DAILY that two-digit growth rates marked the industry's operation during these months.

The latest CSSC report says vessels totalling 222,000 dwt (deadweight tons) were built and ships totalling 377,000 dwt went into construction in these months.

Zhang said the figures represent all-time highs for the past decade.

And the time-scale for ship construction cycle at some of the country's major shipyards was the shortest for many years, according to the report.

Many vessels, including some for overseas clients, were completed and delivered ahead of contract time at the four largest yards, the report says.

The total production value stands at 2.57 billion yuan (\$545 million), which is an increase of 15.4 percent over the corresponding months of last year.

The production value accounted for 58.3 percent of State targets for this year, the report says. At 80 of industry's main enterprises, the State plan was over-fulfilled.

The report says some 2.1 billion yuan (\$440 million) came from construction of civilian vessels and production of commercial goods.

The industry received orders for 41 vessels totaling 760,000 dwt, not including those for military use, during these months.

Of those, six vessels totalling 410,000 dwt were ordered by overseas clients.

The report says that by the end of last month, the CSSC still had orders for vessels totalling 2.34 million dwt, with agreements worth 10.8 billion yuan (\$2.2 billion).

Those were the largest volumes the CSSC had ever received.

Coupled with this was high-rate increases in ship repairing.

In the six months, 449 vessels were overhauled by the industry, creating some 348 million yuan (\$73 million) of production value, or a 21 percent rise over the same months last year.

Among the vessels, 55 ocean-going ships were repaired for domestic clients, which had a production value of 29 million yuan (\$6.1 million).

The figures represent respective increases of 34 percent and 87 percent over the same months last year.

And 87 vessels were repaired for overseas clients, the report says. The repair work brought in 100 million yuan (\$21 million) of production value and foreign exchange earnings of \$22.7 million, up 57 percent and 58 percent respectively over the same months of last year.

The report says State targets on ship repairing for the six months were fulfilled a month ahead of time.

And nine major shipyards fulfilled more than 70 percent of the State yearly plan.

### PRC MEDIA ON FOREIGN ECONOMIES

#### Controlling Investment, Consumption Demand

90CE0253A Sanming ZHONGGUO JINGJI WENTI [CHINA'S ECONOMIC PROBLEMS] in Chinese No 2, 20 Mar 90 pp 46-53

[Article by Wu Xinrong (0702 1800 2837) and Zhang Qizuo (1728 0366 0146) of Changdu City's Financial Bureau, and Jia Quiping (6328 3255 1627) of Southwest Finance and Economics University: "Japan's Inflation-Fighting Policies During the Period of Economic Upsurge and What They Teach Us"; the first paragraph is a source-supplied introduction]

[Excerpts] Author's remark: Upon studying the Japanese government's policies to combat inflation and in view of China's present economic situation, we are of the opinion that to ease the supply-demand conflict to eventually eliminate inflation, we must deal with both total demand and total supply. While curbing investment demand, we must also focus on curtailing consumption demand to cool the over-heated air of expansion. This is China's basic disinflation policy. Laying a sound foundation for increasing society's effective supply is the sure way to ultimately eliminate inflation in China. [passage omitted]

#### III. Several Illuminating Points on How To Curb China's Inflation

Inflation is a common monetary phenomenon in a commodity economy where supply and demand are unbalanced. Therefore, since reform and opening up, as she vigorously develops the socialist commodity economy, China too has been seriously plagued by inflation. Statistics show that in the nine years from 1979

to 1987, inclusive, the price of means of subsistence in the urban areas has shot up sharply. Prices went up an average of 4.6 percent a year during the 1979-1986 period, including a 5-6 percent annual rate of increase from 1981 to 1986, with an average rate of increase as high as 7.1 percent a year from 1983 to 1986. In 1987, before the major reform measures were introduced, the cost-of-living index for the year was 8.8 percent higher than in the previous year, and in some large- and mid-sized cities, it even surpassed the 10-percent mark, reaching double digit. Today, simply put, our greatest problem is the serious overall disequilibrium which is accompanied by sharp structural conflicts. Furthermore, the disequilibrium is tipped heavily toward consumption, consumption-oriented investment, and the ordinary processing industry. Those in academic circles have different suggestions on how to deal with the inflation situation, but most have focused on curbing investment and consumption demand, which means they tend to over-emphasize the tight policy. A tight policy may be able to curtail total demand and narrow the supply-demand gap, but from the point of the dynamic process of economic development, sustained and reckless enforcement of a tight policy can cause production to "slip," which reduces effective supply and eventually widens the supply-demand gap and triggers a new round of inflation. Upon studying the Japanese government's policies to combat inflation and integrating them into China's present economic situation, it is our opinion that to ease the supply-demand conflict and eventually eliminate inflation, we must deal with both total supply and total demand. Specifically, we should adopt the following basic countermeasures:

1. When curtailing investment demand, we should also focus on curtailing consumption demand to cool the overheated air of expansion. This is China's basic disinflation policy. The economic development situation in recent years clearly indicates that the double expansion of investment demand and consumption demand is the driving force behind China's inflation. The root cause of China's chronic inflation is the continuous expansion of investment and consumption demands. Statistics show that from 1984 through 1987, society's fixed asset investment grew at a rate of 33.88 percent, 38.75 percent, 28.70 percent, and 16.51 percent a year, respectively, averaging 29.2 percent a year, which exceeds by far the 10 percent average annual rate of increase in the GVAO [Gross Value of Agricultural Output], and it also exceeds by far the 14.4 percent average annual rate of increase in the GVIO [Gross Value of Industrial Output]. If we add the extra-budget funds and funds raised by enterprises themselves, the increase in investment demand will be even greater. The bloated consumption demand is manifested in the workers' total wage bill which has been increasing faster than the national income and the workers' average income which has been increasing faster than productivity. From 1984 to 1987, the nation's total wage bill (including bonuses, subsidies, overtime, and additional pay and other wage-related income) grew by 21.3 percent, 22 percent, 20 percent,

and 12.4 percent a year, respectively, but national income only increased 13.9 percent, 12.3 percent, 7.4 percent, and 9.3 percent a year, respectively; the workers' average wage rose 17.9 percent, 17.2 percent, 16 percent, and 8.9 percent a year, respectively, while the overall industrial labor productivity rate increased only 7.8 percent, 9.4 percent, 4 percent, and 7.6 percent a year, respectively. Thus, China's basic policy to combat inflation is very clear: We must make an unremitting effort to curtail the double expansion of investment and consumption demand.

A substantial portion of China's investment demand comes from the extra-budget funds; therefore, when planning the management of the state's budgeted fund allocation and a portion of the bank loans, we should make use of various economic means and even administrative measures to put the extra-budget funds under tight control to ensure a reasonable investment scope. Limiting the expansion in consumption demand is the key point of our disinflation policy, but it is also the stumbling block. This is mainly because the bloated consumption demand plays a unique promoter role, which we should be aware of: First, bloated consumption demand causes industrial product prices and agricultural and sideline product prices to push each other in an upward price spiral. Inflated workers' income and the practice of charging this income to production cost lead to higher industrial consumer good prices. Higher wages and industrial consumer good prices offset any benefit the peasants may receive from higher agricultural and sideline product prices. This not only forces the peasants to further raise the price of their products but will encourage them to shift from the agricultural sector to the industrial and commercial sectors, which will drastically lower the peasants' labor and capital input in agriculture. This no doubt will diminish the agricultural and sideline product supply capability. Second, the increase in consumption demand spurs a sharp rise in the people's consumption level and rapid readjustment of the consumption-mix. This inevitably entices the localities to invest in the more profitable, "short, level, and speedy" consumer industry and processing industry, which puts tremendous demand pressure on the basic industry. Statistics show that the quantity of money in circulation has increased significantly in recent years. At the end of 1988, the amount of money in circulation has grown by more than three times the 1983 amount, increasing at a rate of 32.1 percent [as published] a year. Inflated consumption demand spurs the rapid growth of the consumer industry and processing industry. Between 1979 and 1987, the output value of China's light industry increased at an average rate of 14.2 percent a year, while grain, raw coal, electricity, iron and steel, lumber, and crude oil production increased only 2.6 percent, 4.7 percent, 7.6 percent, 6.6 percent, 3.5 percent, and 2.9 percent a year, respectively. The super-high rate of growth of the consumer and processing industries has naturally created tremendous demand pressure on agricultural products, raw materials, and basic industrial products. The adverse effect of this pressure is the

soaring price of agricultural products, raw materials, and basic industrial products. Third, inflated consumption demand strengthens enterprises' and individuals' debt mechanism and weakens their accumulation mechanism. Enterprises usually charge personal expenditures such as higher wages, bonuses, and subsidies to production cost and often draw on production and development funds to finance the additional expenses. Debiting personal expenses to production cost naturally reduces enterprise profit and lowers enterprises' after-tax profit retention. This is one of the main reasons why the government's share of revenue as a percentage of the national income has been shrinking year after year, and it is also what causes enterprises' production and development funds to decline in comparison with other funds, which has led to the relative decrease in enterprises' own accumulation and has damaged enterprises' accumulation mechanism.

2. Laying a sound foundation for increasing society's effective supply is a sure way for China to eventually eliminate inflation. Looking at the supply side, the basic cause of inflation is the rate of increase in total supply which lags far behind the rate of increase in total demand. Although we can curb the increase in total demand to suit the supply situation, based on Japan's economic development experience, the basic solution to eliminating inflation and ensuring long-term stable prices lies in vigorously enhancing the production capacity, so as to increase society's effective supply. This is a long-term, arduous task, but we can begin to do the following today: (a) Speed up agricultural development: In 1982, the per capita grain and cotton consumption rate in China was 792 jin and 12 jin, respectively. By 1987, they have dropped to 712 jin and 7 jin, respectively. Not only that, but the agricultural foundation has become increasingly shaky and can no longer meet the needs of the nation's economic development, and as a result, agricultural and sideline product prices have been soaring. If we look at China's present supply-mix and consumption pattern, agricultural and sideline products not only make up a large portion of the total supply, but their prices are what the people are most sensitive to. Statistics show 50-60 percent of the price increase is attributable to higher agricultural and sideline product prices, and today those prices are under pressure to go up even more. Thus, stability to a large extent hinges on the stability of agricultural and sideline product prices and on the speed of agricultural development. For this reason, in order to stabilize the price level and ensure the increase in total supply, we must give top priority to agriculture and speed up its development. (b) We need to implement a "biased, key-point investment" policy. In recent years, although the consumer and processing industries have been growing rapidly, supply still fails to meet the market demands. On the other hand, energy, transportation, raw material and other basic industries are unable to sustain the development of the processing industry. The coefficient of elasticity of China's energy supply has dropped from 0.5 in the early 1980's to 0.2

today, and the coefficient for the transportation-communication system is only 0.18. It is highly unusual for energy supply and means of transportation to be so tight when the industrial structure is so "light-industry oriented." Therefore, in formulating the industrial and credit policies, we should promote a "biased, key-point investment" policy to use the limited funds to guarantee and give priority to the state's key construction projects and backward basic industries and to divert more raw materials, energy resources, and means of transportation to the economy's bottleneck industrial sectors, so as to lay a sound material foundation for narrowing the total supply-demand gap. (c) We need to increase the money supply's production efficiency. China, like many Western countries, often increases the money supply as a way to increase society's total supply. But the production efficiency (that is, how much each additional unit of money supply contributes to the increase in the GNP) of China's money supply is very low.<sup>1</sup>. This not only implies that society's total supply is limited but that the added money supply is not being used as capital (investment) fund (money that propagates the value of society's goods); instead, it is used as income (consumption) fund (that is, a medium of exchange,) to be spent on buying consumer goods, which generates inflationary pressure. Thus, increasing the money supply's production efficiency and the monetary fund's use efficiency can be very effective in increasing total supply and curbing total demand.

3. As we focus on coordinating the monetary policy with the fiscal policy, it is important to maintain the central bank's independent status. This is an important safeguard in China's effort to combat inflation. The central bank is the last line of defense in controlling the money supply and curbing total demand. If it can insulate itself and act independently to implement the monetary policy, the inflated total demand can eventually be put under control. Regretably, China's central bank is neither the main decisionmaker nor the principal enforcer of the monetary policy. During the decade of reform, China's central bank basically has been promoting a cheap monetary policy; it has never really established a versatile and effective macroeconomic regulation and control mechanism. The root cause of this is the central bank's lack of independence. Externally, it is under a three-prong pressure from the planning department, the financial department, and the production and circulation department. Internally, it lacks the proper mechanism to regulate and control the specialized banks. This monetary system no doubt opens the door to bloated total demand. It is very important that we coordinate the macroeconomic policies to block this source of bloated total demand. Although both fiscal and monetary policies have an impact on total demand, they target different sectors and work in different ways, and therefore they have different effects on the economy. The monetary policy targets the credit funds. A loose (tight) monetary policy will primarily expand (contract) the investment scope. Fiscal policy affects the budgeted

expenditures which are financed by tax revenues. Tightening or loosening the fiscal policy will directly decrease or increase the consumption demand. Therefore, different combinations of fiscal and monetary policies will have different effects on investment and consumption demands, and in turn will have a very different effect on society's economic activities. Obviously, in the long-run, China should not combine "loose money with loose budget" nor "tight money and tight budget." The former will only add fuel to inflation; the latter can lead to economic stagnation or depression. The policy combination of "tight money and loose budget" may curb the increase in investment and prevent the economy from over-heating, but under China's present socio-economic conditions, it is not a viable combination. This is not only because a "loose budget" will exacerbate the increase in consumption demand but because the deficit resulting from this "loose budget" is often remedied by the central bank's issuing more money and by borrowing, which will offset the effects of the tight monetary policy. The way the fiscal policy counteracts the monetary policy makes "tight money and loose budget" a policy combination that only expands but cannot contract and eventually will cause the economy to overheat. Learning from post-war Japan's experience in combating inflation, we should choose a "loose money and tight budget" combination. This combination, which can increase investment and curb consumption demand will, first, enhance society's production capacity and lay the material foundation for increasing society's total supply; second, eliminate or reduce the budget deficit and in turn ease the pressure the budget deficit puts on the central bank's monetary policy. Moreover, the surplus generated by the tight budget will give the central bank a cash reserve to help make the monetary policy more effective.

#### Footnote

1. According to statistics, the output coefficient of China's money supply (the ratio of the increase in GNP to the increase in money supply) is only around 0.5, compared to 0.8-0.9 in the West.

## AGRICULTURE

### Ideas Offered To Hold Down Livestock Feed Prices

90CE0297A Nanchang JIAGE YUEKAN [PRICING MONTHLY] in Chinese No 5, 15 May 90 pp 23-25

[Article by Yao Zhenhuo (1202 2182 3499), Xia Yong (1115 3057), and Yu Caili (0827 1752 7787): "Causes and Remedies for Zhejiang Livestock Feed Price Rises"]

[Text] The price of livestock feed directly affects the production costs and sale price of market livestock and poultry products. In 1988, the market retail price index of meat and poultry products in Zhejiang rose 39.3 percent over the previous year, largely because of a rise in market grain and livestock feed prices. In 1988, the

country experienced frequent natural disasters, which reduced grain output by 10.7 billion kilograms from the previous year. The severe shortage of grain led to a general rise in grain prices, and thus a further rise in prices of blended and mixed livestock feeds. Comparison of 1988 with 1985 shows an average 50 percent rise in the parity price, and an approximate doubling of the negotiated price of several major kinds of blended and mixed livestock feeds.

**(1) Analysis of Reasons for the Rise in Livestock Feed Prices**

The rise in prices of blended and mixed livestock feeds resulted from the combined role of five elements, namely the impetus of raw and processed materials costs, a rise in expenses, the demand process, changes in the feed mix formula, and the impact of prices on enterprises.

1. The impetus of raw and processed materials costs. The impetus of raw and processed materials costs was the direct and main reason leading to the rise in blended and mixed livestock feed prices. The abolition in 1985 of the monopoly grain procurement and marketing system that had been in effect for all of 30 years for a change to fixed contract procurement played a certain role in stirring increased peasant interest in growing grain at that time. Nevertheless, because of the substantial effect of natural

conditions on grain production, as well as readjustments to the structure of rural industry and the fairly rapid development of sideline production during the previous several years, relative returns from growing grain were rather low. As a result, the grain growing area tended to decline. Relative to 1984, Zhejiang Province's grain growing area declined 3.17 million mu in 1985, 4.74 million mu in 1986, 3.71 million mu in 1987, and 4.09 million mu in 1988. Grain output also fell from 18,171,500 tons in 1984 to 15,536,500 tons in 1988 leading to a grain shortage on top of a grain shortage in the province.

The competition among buyers for raw materials in short supply stimulated steady rise in raw materials prices. Because of state readjustments of grain and oil-bearing crop procurement, and of marketing plans and prices of parity price livestock feed raw materials, the parity price of grain and edible oil, as well as of by-products was adjusted several times. For example, the price of corn was adjusted from 23.20 yuan per 100 kilograms in 1985 to 34.60 yuan in 1988; and the price of grain and oil-bearing crop by-products such as rice bran and wheat husks went from 8.80 yuan to 13.00 yuan per kilograms. Over a 4 year period, parity prices of the above several items were adjusted upward by more than 45 percent. Meanwhile, negotiated prices of raw materials more than doubled.

**Changes in Negotiated Prices of Several Main Raw Materials in Zhejiang Province From 1985-1988**

Year	Corn	Bean Cake	Wheat Husks	No 4 Meal	Rice Bran	Rapeseed Cake	Units: Yuan/50 kgs	Imported Fish Meal (Dollars/ton)
1985	21.00	34.00	14.50	18.00	14.50	15.50	224.00	
1986	28.00	43.00	18.00	23.00	18.00	17.50	293.00	
1987	28.00	45.00	19.50	24.00	19.50	21.50	329.00	
1988	42.00	70.00	32.00	36.50	32.00	36.00	456.00	
Percent Increase Between 1985 and 1988	+100	+106	+121	+103	+121	+132	+104	

Note: During 1987 the price of corn rose hardly at all; price rises were attributable to imported corn, and to wheat.

2. The demand process in which supplies did not meet demand induced and drove a rise in livestock feed prices. During 1988, the Zhejiang grain system sold 1.36 million tons of blended and mixed livestock feeds of all kinds. This was 646,000 tons more than in 1985 for a 1.1 fold increase. Despite an average annual 170,500 tons speed of increase, the supply of livestock feed still did not keep up with demand. In 1989, for the first time the province broke the 150 million mark in number of poultry raised; hogs removed from inventory for the year totaled 12.340 million and the number remaining in inventory totaled 13.113 million. Given such a scale of livestock and poultry production, the province needed 3.3 billion kilograms of livestock feed, an amount far greater than what the province's grain supply could support. Thus, ever since the beginning of the third

quarter of 1989, livestock enterprises have fallen in the predicament of not having the wherewithal to produce livestock feed. In some areas, livestock feed is out of stock. The inability of livestock supply to meet demand was bound to give rise to and drive a steady rise in livestock feed prices.

3. A rise in expenses and processing costs. Several times since 1985, the state readjusted fee collection standards including miscellaneous fees, interest, wages, and electricity charges. To a very great extent, these increases spurred a tremendous rise in commodity circulation expenses and processing costs; thus, expenses per unit of commodity produced and processing costs increased. Analysis of charges per ton of livestock feed in the province shows 15.05 yuan for 1985, 15.40 yuan for

1986, 21.43 yuan for 1987, and 21.95 yuan for 1988 for a 46 percent rise between 1985 and 1988. Analysis of processing costs per ton of livestock feed in the province shows 15.50 yuan for 1985, 17.00 yuan for 1986, and 21.49 yuan for 1987 for a 76 percent rise in processing costs between 1985 and 1988.

4. Quality increase and changes in the feed mix formula. In recent years, the already stable quality of Zhejiang's blended and mixed livestock feeds has improved, and changes have been made in their formulation. Comparison of 1988 with 1985 shows an increase from 22.46 to 34.69 percent in corn content, an increase from 2.52 to 1.94 percent in animal protein raw materials, and a rise from 2.66 to 4.04 percent in mineral supplements and amino acids. Bran and husks make a very fine livestock feed raw materials and they are cheap; however, because of the increase in their use for various purposes, their use in livestock feed declined from 29.9 to 21.15 percent. Improvement of livestock feed quality, and changes in the formula inevitably caused a rise in retail prices.

5. The impact of price rises on enterprises following the practice of economic contract responsibility systems. Currently, many enterprises have economic contract responsibility systems. In the process of figuring out ways to increase the main quotas in contract agreements such as output value, and tax and profit payments to the state, unit leaders (the contractors) are forced to use some of the authority to set prices that the state allows them. They resort to frequent price increases or indiscriminate price rises to gain short-term profits and economic returns for the enterprise. Our survey shows that a livestock feed enterprise in a certain county raised prices eight times in a single year provoking a strong reaction of units concerned in society.

#### Ideas and Remedies for Stabilizing Livestock Feed Prices

1. Ways to stabilize livestock feed prices include aggressive expansion of grain production, actively development of livestock feed resources, and building of livestock feed resource bases. Specifics are as follows: (1) Vigorous efforts to expand grain production. During the past four years, Zhejiang Province's grain output has declined year by year, an "inversion" occurring between the amount of grain purchased and sold. The supply of livestock feed is intimately linked to grain output. The extent to which grain harvests inside and outside the province are bumper or lean, and international market grain supplies directly affect the production and supply of livestock feed. Therefore, only by strenuous efforts to expand grain production can market grain prices be stabilized, supply problems eased, and stable livestock feed retail prices attained. (2) Active development of livestock feed resources for use. The serious shortage of protein for livestock feed has become a grim reality. Bean cake accounts for 70 percent of Zhejiang's protein resources of various kinds today, and it is the main source of protein raw material for blended feeds. Nowadays, most of the residue from pressing oil from cotton seeds and rape seeds is returned to the fields as fertilizer,

less than 10 percent being used for livestock feed. The province has a cake residue shortage of approximately somewhat more than 50,000 tons each year. If the shortfall is made up through the substitution of other sources of protein such as fish meal, that is bound to increase livestock feed production costs and increase livestock feed prices. Thus, the state should set aside a certain amount of chemical fertilizer each year "exchanging fertilizer for cake residues" to solve the conflicting demand for their use in both livestock feed and for fertilizer. It should also encourage the use of bean cake for filling bellies first and later using it to fertilize the fields in order to insure fullest used of a limited resources. (3) Establishment of livestock resources production bases. Zhejiang is 70 percent mountains, 10 percent water, and 20 percent farmland. It has abundant mountainland and hill resources. Zhejiang Province's grain production is characterized by a long history and experience in the growing of dryland crops such as corn, soybeans, wheat and barley, and rapeseed. The potential for growing dryland crops is very great. A soil survey shows a more than 8 million mu dryland area in the province, only somewhat more than 3 million mu of which is now developed for use. At least somewhat more than 2 million mu can be developed. The state has to assure that all economic policies are honored with regard to the already established bases that produce high lysine content corn used for livestock feed to gain the confidence of the peasants for a stabilization and expansion of its growing area.

2. Restriction of demand, and planned development of livestock and poultry production. Expansion of livestock and poultry production requires an ample foundation of grain supply. Lacking this material foundation, the livestock feed industry will have to grab as much as it can get, driving up prices and causing panic buying. The buyer's market in livestock feed inevitably spurs a rise in retail prices; therefore, departments concerned should increase attention at once to the development of livestock industry production, provide market information, prevent large price swings, and help livestock production planning and implementation.

3. Strict enforcement of price policies. Fixed prices of livestock feeds should be strictly enforced in accordance with provincial price setting principles and methods, small profits on quick turnover upheld, and the interests of the state, enterprises, and customers correctly handled, both the operating expenses rate and the fair profit rate strictly controlled within the province-set eight to 10 percent range. So long as there is no tremendous increase in prices of raw materials and expenses, measures to tap potential should be adopted, and increases in expenses and costs should be swallowed by enterprises.

4. Better supervision and inspection of livestock feed quality. Livestock feed enterprises should establish a quality guarantee system centering on quality, strive to increase the return on livestock feed, lower the feed to meat ratio, diligently enforce ministry and state promulgated quality standards, and strictly prohibit slapdash

and careless manufacture as well as misrepresentation of quality. Lowering of quality is not to be used as a disguised means of raising prices. Thus, livestock feed quality inspection departments should regularly conduct random samplings of livestock feed quality, increasing quality supervisory and inspection work.

5. Establishment of a livestock feed price stabilization fund and risk fund. The goals in establishing these two funds are to meet unforeseeable situations, to eliminate price shocks following the practice of economic contract responsibility systems, and to solve the problems created for the vested interests of contractors and for staff members and workers not attributable to price rises and increased expenses, thereby attaining the goal of stabilizing livestock feed prices. These two funds should be funded by the state, enterprises, and the populace, the designated funds used for designated purposes, and protection measures adopted to insure livestock feed price stability.

#### New Agricultural Reform in Heilongjiang

90CE0259A Beijing JINRONG SHIBAO in Chinese  
16 May 90 p 2

[Article by Han Qiang (7281 1730), Sun Yonggang (1327 3057 0474) and Ma Lirong (7456 4539 2837): "A New Taste of Village Reform—A Report on the 'Double Guarantee System' of Food Production in Chaodong, Heilongjiang Province"]

[Text] In the early spring of February, the ground was still frozen solid. Treading on the thick snow, we arrived at the town of Chaodong, Heilongjiang Province, the leading depository of country-class grain sales to the state. In 1989, Chaodong overcame a severe drought to be ranked at a fourth year of bumper harvest, producing 292 kilos alone for a cumulative total of 740 million kilos, of which 350 million were sold to the state.

How did it increase by 270 million in one year? How did it maintain such high production despite four years when there were three disasters?

The delightful change can largely be attributed to the "double guarantee" system. The so-called "double guarantee" is the formation, on one hand, of a local cooperative organization (village) and a village that could autonomously manage its farming on the other. Both sides voluntarily agreed to share equally and arrive at a consensus of mutual collaboration, rewards and punishments.

The "double guarantee" was first set up in Sizing Hamlet, Liming Village. In 1983, Heilongjiang inaugurated a system whereby a number of families could contract to produce jointly. That year, forty-eight households joined. The joint production plan lets each household be an independent enterprising entity. Some had shaky foundations or could not fend for themselves. For the sake of common prosperity, the village made use of 220 thousand RMB which had been levied in current

livestock appraisal for cadre to buy fertilizer and seed which distributed to the households without requiring interest. The village used the collective farm tools to let each household clear and expand ground. Next year, the entire village's output and income had increased. The cadre approved the work and the villagers savored the results. So the "double guarantee" was born.

At present, the system has five component parts, or "five guarantees." The cooperative economic organization guarantees appropriate financing, fertilizer, seeds, chemicals to cure farming ills, scientific planting methods, water source, land, and tools. The farming household guarantees scientific planting, planned planting, timeliness, performing the responsibilities, letting land lie fallow. Not all of these are to be done at once at the onset, some can only "guarantee" one or two and then increase as things get better. Thus lies the significance of the system.

The "double guarantee" system has two very constraining conditions: specific clauses defining mutual rights, responsibilities as to dates, quality, quantity written as a contract; and specific fines and rewards mutually acknowledged. The contractual nature precludes a "shotgun" contract, or unilateral ones, requiring a mutual guarantee relationship on an equal basis. As the peasants feel confidence in its reliability, the system will have more vitality, and will be widely carried out among the masses. As the peasants themselves say, "The double guarantee system is reliable and we all benefit."

If it can be said that the use of the system among the households is using the superior nature of collective economics to support the activity of farm household managing, as a policy "software" meeting the needs of the peasant before, during and after production, guaranteeing that material meet standards; the system also pushes the planting methodology of Chaodong, i.e., the sixteen-word formula (good seed, intensive growing, accelerating sprouts, discreet watering, early planting, late harvesting, intensive problem-solving, liberal fertilizing) or the combination of new techniques with traditional experience to meet peasant factors, raising production standards and becoming the technical "software" of food production. This way, the two complement each other to create Chaodong's "small climate" in food production.

The town feels that the main reason that dispersed peasant households willingly accept cooperative managing and direction is that the cooperative has real ability to serve them and help them solve a number of their problems in farming beyond their own ability to do so. Thus, the town also makes an effort to enhance the real power of the cooperative.

The execution of the system has given the town five new changes:

One, is that both planting and maintenance standards of the fields are becoming more scientific;

A second one is the diminishing gap between the high and low of production rates.

A third is that the villages are developing into the real service substance of the cooperative.

A fourth is the improvement of relations between cadre and peasants forming a new order in management.

A fifth is that as the peasants have basic conditions to prosper, the economic benefits are increasing more uniformly each year.

After having had the system operate for a few years, the Standing Committee and the municipal government of Chaodong feel that it is a scientific system that is the essence of superior production and the best model for a service contract for equitable food production and for combining the integral (collective) with the partial (peasant household). Large numbers of peasant households can say from personal experience that to go up the ladder in production, one must rely upon the "double guarantee" system, and common peasant prosperity must rely upon socialism. This year, Heilongjiang Province will push for wider adoption of the Chaodong "double guarantee" experience.

### **Hebei Regulations on Agricultural Development Funds**

90CE0289A Shijiazhuang HEBEI RIBAO in Chinese  
17 May 90 p 2

[Article: "Hebei Province Agricultural Development Funds Administration Procedures"]

[Text] [Box p 2] Hebei Province People's Government Order No 49

"Hebei Provincial Agricultural Development Funds Administration Procedures," which the 62nd Provincial Government Standing Committee Meeting passed on 12 March 1990, is hereby issued for implementation.

Provincial Governor: Yue Qifeng [1471 1477 1496]  
25 April 1990

**Article 1** These procedures have been formulated on the basis of pertinent State Council regulations as they apply to actual circumstances within the province for the purpose of improving administration of agricultural development funds, to derive full benefit from funds, and to advance the development of agricultural production.

**Article 2** Agricultural development funds are government funds. They are an inseparable, integral part of government funds paid to assist rural production. As units in charge of funds, government financial departments at all levels participate in the survey of agricultural development projects, and in the task of setting up projects. They do overall funds planning, centrally administer funds, and centrally borrow and repay funds.

**Article 3** Sources of agricultural development funds

(1) Ten percent of the budget regulation funds that the province retains is used for the development of agriculture, and are centrally allocated by the province;

(2) All jurisdictions allocate for use as agricultural development funds a suitable percentage of the actual increase over the previous year in the amount of township and town enterprise tax receipts, including taxes on products, business taxes, added value taxes, and industrial and commercial income taxes;

(3) Eighty percent or more of the amount of increase over the previous year in all taxes collected from individually owned rural industries and businesses, and from privately owned rural enterprises are allocated as agricultural development funds;

(4) All of the locally retained portion of taxes already collected for takeovers of cultivated land are used as agricultural development funds;

(5) Sixty percent or more of the local government-retained portion of farm and forest special products taxes is used as an agricultural development fund;

(6) A grain production technical improvement fee of .02 yuan per kilogram of grain purchased is collected from profitable industrial enterprises that use grain as their primary raw material for the manufacture of pharmaceuticals, spirits (including ethyl alcohol), and starch. Enterprises carry this payment as a cost, and make regular payments of fees to the government at their same level.

(7) All hog production protection funds collected are retained by county governments for use as an agricultural development fund for the development of commodity hog production;

(8) Portions of imported World Bank loans (for which separate administration procedures apply), and other inter-government and international financial organization funds used for the development of agriculture;

(9) Fees collected for the use of underground water for farmland irrigation, fees for the renovation and transformation of rural wells, and both township and town enterprise withholdings and land contracting fees are used locally, being neither divided up or paid to a higher level;

(10) Part of income derived from overdue tax payments and penalties paid by township and town enterprises, individually owned enterprises, and privately owned enterprises is used for agriculture, the specific percentage decided by individual jurisdictions themselves;

(11) Funds allocated by government units at a higher level.

**Article 4** The principle followed in the use of agricultural development funds is as follows: to increase the total output of grain, cotton, oil-bearing crop, and meet products; to improve agricultural production conditions; to

increase reserve strength for the development of agriculture; and to plant trees and grow grass in order to regulate the ecological environment are the primary goals. The main means of achieving them are the transformation of medium and low yield fields, the reclamation of wasteland suitable for agriculture, and the spread of scientific and technical achievements in farming, forestry, aquatic products, and animal husbandry, suiting general methods to specific circumstances, developing in a comprehensive way, investing selectively, using resources in a concentrated fashion, developing and achieving results from one tract at a time, and increasing economic, social, and ecological benefits.

**Article 5** Agricultural development funds are to be used in accordance with an agricultural development strategy, and an overall agricultural development and administration plan, emphasis placed on the following disbursements for the comprehensive development of agriculture on coastal and river basin plains, as well as the development of flatlands, mountain regions, and coastal beaches, and other agricultural development projects:

(1) Allowances for the transformation of intermediate and low yield fields, the reclamation of wastelands suitable for agriculture, and the purchase of farm machinery, and oil-bearing crops;

(2) Allowances for the building of small farmland water conservancy, and water and soil conservation projects;

(3) Allowances for farmland shelter forests, forests for the conservation of water sheds, water and soil conservation forests, for seeds and saplings for quick growing high yield forests and firewood forests, and for nursery production facilities;

(4) Allowances for technical training, experiments, and demonstration areas for the promotion of new scientific and technical achievements made in farming, forestry, aquatic products, animal husbandry, and fisheries;

(5) Allowances for the breeding of superior crop varieties and livestock breeds, and for experiments and demonstrations of superior varieties and breeds;

(6) Allowances for the improvement of meadowlands, the artificial growing of turf, and for machine operations and seeds for land removed from cultivation for reversion to pastureland;

(7) Allowances for needed purchases of instruments and equipment for farming, forestry, aquatic products, animal husbandry, and fishery technical service stations below the county level;

(8) Discount allowances when bank loans are used to develop agriculture;

(9) Farm, forestry, animal husbandry, and fishery base construction;

(10) Payments for other agricultural development projects.

**Article 6** The following payments are not to be made from agricultural development funds:

(1) Investment in the building of new large- and medium-sized reservoirs and large river flood prevention projects, as well as investment in the building of water conservancy projects primarily for the purpose of providing water to cities and industries;

(2) Investment in the construction of new farms, stations, posts, and "centers" in the agricultural administration system;

(3) Expenditures for construction of a nonproductive nature such as the building of office buildings, meeting halls, and public accommodations;

(4) Agency and personnel expenses for all units;

(5) Allowances for enterprise and company working capital (including reserve funds), share capital, and losses;

(6) Investment in industries for the support of agriculture;

(7) All price subsidies;

(8) Investment in the increased processing of agricultural by-products;

(9) Payments that should be provided for out of normal investment in capital construction, operating expenses, and other outlays;

(10) Purchases of banned and controlled commodities;

(11) Augmentation of government financial payments.

**Article 7** Budgeted funds that are a part of agricultural development funds are to be included in budget by government financial units at all levels. They are to be administered as designated funds, entered in accountings when received and paid, and payments made against receipts. Not only are funds covered by articles 6, 7, and 9 to be included in budget, but all other funds (World Bank loans excepted) are to be entered as receipts under the proper headings in the financial budgets of governments at all levels. Expenditures are to be reflected under the state budget expenditure heading, "Expenditures of Dedicated Agricultural Development Funds." Accounts are to be reconciled at the end of each year, the surplus being carried over for use during the succeeding year. Government financial units at all levels must independently prepare budgets and accountings showing receipts and expenditures so as to reflect the total situation.

**Article 8** Usually a single common means of investment is adopted by all levels for funds used in agricultural development projects that are in the nature of being people-operated and public supported. For development projects in which the state invests, each level assumes responsibility for providing matching funds according to a state-set percentage. The percentage of matching funds

for each level in other agricultural development projects is to be set by each level of government itself on the basis of that level of government's approved development project investment.

**Article 9** Funds are supplied both with and without compensation. Funds supplied for compensation are loaned out and paid back; they are recovered when due for use over and over. The percentage of funds supplied for compensation to be recovered, their period of use, and the rate charged for their use is set separately for different projects. The return of support funds supplied for compensation not only assures repayment of loans from higher levels and the return of principle, payment of interest, and payment of fees on foreign loans, but surplus amounts continue to circulate for use as a development fund.

**Article 10** Government finance units at all levels are to make overall plans for funds allocations on the basis of agricultural development fund development projects, and funds use plans prescribed by the agricultural development committee, taking into account the agricultural development fund budget for revenues and expenditures and the status of fund raising.

**Article 11** Establishment of a project benefit responsibility system. Project units and individuals are to sign economic agreements with government financial units for funds used for compensation, such agreements spelling out the rights and responsibilities of both parties. Financial units should disburse funds according to the provisions of the agreement, and project units and individuals should bear responsibilities according to the agreement. When project units and individuals fail to perform as the agreement provides, or violate the agreements, government financial units have authority to reduce disbursements or halt disbursements, and even to seek recovery of disbursements already made. When contracts are well executed and results are outstanding, government financial units may issue suitable rewards.

**Article 12** Government financial units at all levels may establish special administrative agencies or designated personnel in charge as the size of the task requires, and the agricultural finance unit in government financial units at all levels may also specifically designate people to discharge specific duties.

**Article 13** In carrying out projects, government financial units should intensify supervision and inspection of fund use, establish a strict fund management system, and adhere to the issuance of funds by project, funds being used for the designated purpose and not diverted to other purposes. Should funds be diverted to other uses, the one issuing the approval is to be responsible for recovering them. Not only are disbursements to be reduced by an amount corresponding to any amount not recovered, but responsibility is to be fixed and severe punishment meted out as circumstances warrant. Following project completion, a conscientious inspection

preliminary to acceptance is to be conducted in coordination with units concerned.

**Article 14** All jurisdictions may draw up specific implementation methods in accordance with the provisions of these procedures as actual local circumstances require, and report them to the provincial Department of Finance as a matter of record.

**Article 15** The provincial Department of Finance is responsible for interpreting these procedures.

**Article 16** These procedures are effective from the date of issuance.

### Hebei Regulations on Water Fees

90CE0289B Shijiazhuang HEBEI RIBAO in Chinese  
24 May 90 p 2

[Article: "Hebei Provincial Water Conservancy Project Administrative Regulations on the Calculation of Water Charges"]

[Text] [Box p 2] Hebei Provincial People's Government Order No 51.

"Hebei Provincial Water Conservancy Project Administrative Regulations on the Calculation of Water Charges," which was passed on 23 April 1990 by the 65th Provincial Government Standing Committee Meeting, is hereby issued for implementation.

Provincial Governor Yue Qifeng [1471 1477 1496]  
3 May 1990

### Section I. General Principles

**Article 1** In order to promote the sensible use of water, to conserve water use, to increase water conservancy project renovation and transformation capabilities, and to make full use of the benefits of water conservancy projects, this regulation has been drawn up on the basis of pertinent regulations contained in the "People's Republic of China National Water Code," and "Water Conservancy Project Water Fee Determination, Calculation, and Administrative Procedures" issued by the State Council as applied to actual circumstances in the province.

**Article 2** This regulation applies to water conservancy projects using surface water that are under control of water administration units in charge at all levels in the province (or water conservancy projects, for short). Collectively administered water conservancy projects may refer to the regulations for implementation.

**Article 3** All water conservancy projects supply water for payment. Industry, agriculture, and all other customers who use water are to report water use plans to water conservancy project administration units, and pay prescribed water fees.

**Article 4** People's governments at all levels, and their water administration units in charge are to intensify

propaganda and education of customers in the payment of prescribed water fees, and strengthen leadership of water fee calculation and administration work to insure on-time receipt of water fees.

## Section II. Water Fee Standards

**Article 5** Agricultural water fees are to be determined on the basis of the standards given below.

(1) Basic water fee. For cultivated land within the effectively irrigated area of an irrigation zone, a basic water fee of between 0.50 and 1.30 yuan per mu each year must be paid whether or not water is used.

(2) Water fee for irrigation water. A water fee of .03 yuan per cubic meter of water provided as measured from the irrigation zone lateral canal outlet is to be charged. If the current standard is higher than .03 yuan, the former fee collection standard is to apply. Where irrigation areas divert water from reservoirs (or sluices), the reservoir (sluice), or ditch water fee distribution ratio is to be set by the prefecture administrative office or municipal government on the basis of their costs in supplying water.

(3) Irrigation zone water fees. Water fees are to be calculated on the basis of the basic water fee plus the fee for the measured volume of irrigation water.

(4) Irrigation pumping station water fees. Charges are to be calculated on the basis of the irrigation zone water fee plus a power fee.

(5) Field drainage pumping station water fees. Charges are to be calculated on the basis of the basic water fee plus a power fee.

(6) Water fees for combination irrigation and drainage pumping stations. Charges are to be calculated separately on the basis of irrigation and drainage pumping station water fee standards.

(7) Water fees for water supplied to aquatic breeding sites, and to vegetable fields, forests, and orchards. Charges are to be calculated at the basic water rate plus 1.3 times the standard fee for irrigation water.

**Article 6** Industrial water fee. Fees are to be calculated from the water supply point (i.e., at the project property rights demarcation point), and determined according to the standards provided below.

(1) Water fee for consumed water. A fee of .13 yuan per meter of water supplied is to be charged. The charge for flow-through water is to be calculated at one-fourth the consumed water fee standard. The charge for recycled water is to be calculated at one-fifth the standard for consumption water. When flow-through water and recycled water that is returned to the system that originally supplied the water contain pollutants in excess of nationally prescribed standards (unless the quality of the water originally provided did not meet nationally prescribed

standards), charges for all of the water provided are to be calculated at the consumed water fee standard.

(2) Fee for water used for hydroelectric power generation. When taken together with water used for other purposes, the water charge is to be figured at eight percent of the power grid's average electricity sale price. When not taken together with water used for other purposes, the water charge is to be figured at 20 percent of the power grid's average electricity sale price.

Fees for water used by small hydroelectric power plants (i.e., those having a single 6,000 kilowatt generator, and an installed capacity of less than 12,000 kilowatts). For all hydroelectric power stations in which water for all purposes is taken together, the fee is seven percent of the power station's electricity sale price. For hydroelectric power stations that do not include water for all purposes, the fee is 1.5 times the standard used for calculating the fee for water used for all purposes. Water fees charged small cascade electric power plants that employ the same water conservancy projects to regulate water volume, and for second order and below hydroelectric power stations, charges are calculated at 50 percent of the above standard. Water fees for small hydroelectric power stations that individual peasants operate themselves are figured at five percent of the general small hydropower station electricity sale price.

Fees for water used in pumped-storage hydroelectric power generation. Water conservancy project administration units are to propose fee collection standards sufficient to cover the operation of projects such as downstream (or upstream) regulating reservoirs, and major repairs. These standards are to be reported to provincial water administration units in charge for discussion with provincial pricing and financial departments to obtain approval before going into effect.

(3) Water fees for ships in port and for railroad locomotives are to be figured using the standards that apply to water consumed by industries. Water fee standards for foreign ships are to be calculated following determination by the prefecture administrative office or municipal government.

**Article 7** Fees for city and town water consumption. Fees for water used in the daily life of residents is to be calculated from the point of supply at .03 yuan per cubic meter. Waterworks are responsible for setting fees for water used by residents, industries, ports, and for other purposes, calculating charges on the basis of actual amounts of water supplied.

**Article 8** Fees for water used to improve the environment and for public health. Fees are to be calculated from the point of supply, and are to be calculated using the fee standards used in supplying water for agricultural irrigation.

**Article 9** For the time being, no fee is to be charged for drinking water for people and animals in mountain regions that is diverted from state-controlled water conservancy projects.

**Article 10** Units in charge of water conservancy projects such as sluices, protective dikes, wadian [3173 3244], sea barriers, and the mouths of rivers entering the sea, may collect water conservancy project maintenance and administration fees from benefiting enterprises, farms, peasant families, and other units. Fee collection standards should be based on expenses incurred in operating and administering water conservancy projects, and expenses for major repairs, and fees should be set by prefecture administrative offices of municipal governments.

**Article 11** Reservoirs having problems left by migrants may collect an additional migrant support fund for the development of production. Fees for water used by industries and in the daily life of city and town residents should include an additional 10 percent per cubic meter of water supplied over and above the standard fee for each category of water use. For water used in agriculture, the standard fee for agriculture should be charged, plus a surcharge of .0015 yuan per cubic meter, the surcharge to apply only until 1995. After reservoir administration units have calculated charges, they should turn receipts over to migration authorities at the same level for deposit in special accounts for use only after approval from provincial migration authorities.

**Article 12** Fee standards for newly built or enlarged water conservancy projects, and for water supply facilities newly added to water conservancy projects are to be calculated by water conservancy project administration units on the basis of costs incurred in supplying water. They are to be reported to water administration units and discussed with pricing units at the same level for approval before going into effect.

### Section III. Calculation of Water Fees

**Article 13** Fees for water used in agriculture may be collected against measurements made each time water is supplied. Alternatively, water may be provided against pre-purchased water coupons.

Charges for water supplied to industries, cities and town, hydroelectric power stations, and others are to be billed monthly by the unit supplying the water.

**Article 14** Fees for water used in agriculture may be calculated in terms of kind and paid with cash, or charges may be calculated for payment in kind. Water conservancy project administrative units are to press for payment of water charges, and when charges are figured in terms of grain, grain units may be commissioned as collection units.

**Article 15** Unit (or households) that use water for agriculture who are unable to make payment for reasons beyond their control should promptly request units that

supply water to consult procedures for reduction or exemption from agricultural taxes. After their request to the unit in charge of supply water is approved, tardy payment, reduction, or exemption from payment of water fees may be permitted according to the seriousness of the disaster.

**Article 16** Institution of progressively higher fees for excess water consumption. When the volume of water used exceeds water use plan norms by 10 percent or less (plan norms being set on the basis of a uniform state quota), charges for the excess amount used are to be billed at 110 percent of the original water charge standard. When the water use norm is exceeded by between 10 and 30 percent, the excess is to be billed at 130 percent of the original water charge standard. When the water use norm is exceeded by between 30 and 50 percent, the excess amount is to be billed at 150 percent of the original water charge standard. When the water use norm is exceeded by 50 percent or more, the excess amount is to be billed at 200 percent of the original water charge standard.

All who use water from below the stagnant water level in a reservoir are to be billed at three times the normal water use standard fee.

**Article 17** Units (or households) using water must pay water bills at prescribed times, an additional five percent late payment charge being added for each month overdue. When several reminders are issued to no avail, water project units in charge have the right to curtail or halt water supply.

**Article 18** Except for the water fee standards prescribed herein, no department or unit may add any additional charges for collection.

### Section IV. Water Bill Administration

**Article 19** Water charges jointly determined by water administration units and government financial departments to meet costs and operating expenses in supplying water are regarded as revenues within budget that are exempt from payments into energy, transportation, and key construction funds, and into state budget regulation funds. Surplus money may be carried forward to the succeeding year and continue to be used; however, it may not be used for expenditures other than water conservancy administration. No other unit may take or divert water payments to other purposes.

**Article 20** Operating and administrative expenses, major repair expenses, and depreciation expenses for water conservancy projects must be withheld from water fee revenues as prescribed by regulations. They must be deposited in special accounts, used for the designated purposes, and may not be diverted to other uses.

All depreciation expenses are to be used for the renovation and transformation of water supply projects. Thirty percent of depreciation funds withheld for state-built water supply projects are to be retained by the water

conservancy project administration unit, and may be used following approval by the next higher level of administrative authority. Seventy percent is to be turned over to the provincial water administration unit to be divided up among the province, prefectures, municipalities, and counties according to the percentage of investment of each in the project.

**Article 21** Water administration units have authority to even out surpluses and shortages of water revenues among constituent water conservancy project administration units. When water revenues are larger than water supply costs, units having a substantial surplus are to tender a fixed amount of the surplus to higher authority, retaining the remainder. Units in which water fee standards are lower than the cost of supplying water are to institute fixed subsidies, make no restitution for losses in excess of the subsidies, and reverse losses within a fixed period of time.

**Article 22** After costs of supplying water are deducted from industrial payments for water, 50 percent of the remaining surplus is to be retained for the use of the water conservancy project administration unit, and the remainder is to be tendered to higher authority according to the following percentages:

(1) Receipts from water conservancy projects under county control are to tender 50, 30 and 20 percent respectively to the county, city (or prefecture), and provincial water authority.

(2) Receipts of water conservancy projects under city (or prefecture) control are to tender 60 and 40 percent respectively to the city (or prefecture) and provincial water authorities.

(3) Receipts from water conservancy projects under provincial control are to be tendered entirely to provincial water authorities.

Water payments tendered to water authorities at all levels may be used for the repair, maintenance, renovation, transformation and capital construction of water conservancy projects under state control. Following approval of government financial authorities at the same level, they may be used to pay for the development of multipurpose economic undertakings, for propaganda and education, for technical and vocational training, and for scientific experiments.

**Article 23** Water conservancy administration units should institute business accounting in a gradual transition to an enterprise-style management. Most water receipt surpluses should be used to set up an operating development fund, and a small portion should be used as a collective welfare and bonus fund, the specific percentages or amounts being instituted following approval by the top level water authority.

**Article 24** Water conservancy project administration units should improve financial management, establish and perfect a financial system, reduce expenditures, and

do a good job of collecting, caring for, and using water receipts. Water authorities and government financial units at all levels should bear responsibility for supervising and inspecting both enforcement of all financial systems and results obtained from the use of water receipts.

**Article 25** Once this regulation is enacted, government financial units should continue to provide subsidies for newly built projects and for projects at which natural conditions are poor, where the condition of the project is poor, and where projects have low revenues from water fees and are as yet unable to cover administrative expenses so as to make them self-sufficient within a limited period of time.

#### Section V. Addenda

**Article 26** The provincial Department of Water Conservancy is empowered to interpret this regulation.

**Article 27** All prefectures and municipalities may draw up enactment procedures on the basis of this regulation in conjunction with local realities.

**Article 28** Water rates for water conservancy projects under ministry control within the province may be set by water conservancy project administration units in consultation with provincial water administration units and price units, reporting them to the Water Conservancy and Electric Power Department for ratification.

**Article 29** This regulation takes effect from the date of issuance at which time "Hebei Province Water Conservation Project Water Charge Collection, Use, and Administration Methods (Trial)", which the provincial government issued on 9 April 1983, becomes invalid.

#### Cotton Production Problems in Henan

90CE0255A *Zhengzhou HENAN RIBAO* in Chinese 20, 25 May 90

[Articles by Lin Jiangang (2651 1691 0474) and Nie Shichao (5119 0013 6389): "Background of the Shortage" and "Where Solutions Lie" 20 May 90 p 1]

[20 May 90 p 1]

[Text] Serious shortages leading to a production-use cotton "famine" have attracted society's broad attention. Rapid growth in the very mainstay of Henan's industry, textiles, has become a major economic difficulty.

The severity and urgency of the problem compelled us to set out on a two-week study and investigation at the end of April.

#### Imminent "Hunger"

Major purchasers of cotton in the textile industry were the first to be hit with the cotton shortage.

The Pingding Shan Cotton Textile Mill reported an emergency: it is short more than 1,000 tons of cotton. It will be hard for the Pingdingshan Piping Mill to continue making filling to supply key state enterprises according to plan.

The Luoyang Cotton Textile Mill called for help: Insufficient cotton supplies have already stopped 30,000 spindles. Some 1,500 workers only take home 70 percent of wages. The mill has begun training in rotation and plans to stagger holidays.

At the Zhengzhou No 1 Cotton Textile Mill, the plant director took us to an empty "key cotton storehouse." With a dejected look he said, "There are more than 100 days until the new cotton harvest. There are only enough planned supplies of cotton to 'feed' the mill until the end of May. If we go hungry one day we will lose several 10,000 yuan. According to regulations, there must be a three-month supply of extra cotton. At present, cotton that arrives in the morning is sent to the warehouse by the afternoon. It is difficult to ensure the quality of yarn and cloth. This is the first time I've seen such a situation in the several decades since the mill was built."

By 15 May, 100,000 spindles in yarn mills under the Henan provincial plan were stopped. Some enterprises run at only a 50 percent capacity utilization rate. Provincial planning and economic departments that have stressed moderate production growth all along repeatedly warned cotton mills to strive to reduce losses by gradually reducing and slowing down machines, economizing to avoid running short, and delaying large-scale production stoppages according to schedule.

According to the provincial textile industry office, in Henan there are 40 cotton textile mills under state planning. They have a 20 million spindle production capacity, annually demanding 55 million dan [one dan = 50 kg] of ginned cotton. Between September 1989 and March 1990, the province actually bought 6.84 million dan. Besides meeting minimum state allocation and procurement targets, foreign trade exports, and other uses of cotton in society, only 3.7 million dan of planned cotton is left for cotton textile enterprises in Henan. This is only enough to sustain them until June under normal production. Even if production-use cotton were kept to the minimum, that still leaves a gap of more than 40 days until the new cotton crop arrives. It will be very hard to avoid large-scale production halts.

#### Changing Cotton Prices

The slide in cotton production is the basic cause for the shortage.

As shown by information provided by relevant departments in Henan, the province's cotton production has wavered for five years. The area under cultivation fell from 17.43 million mu five years ago to 11.1 million mu. Total production fell from 17.37 million dan to 10.58 million dan. The amount of planned purchase quotas

filled fell from 15.92 million dan to 6.84 million dan. These are reductions of one-third, two-fifths, and almost three-fifths, respectively.

Many factors influenced the slide from "peak" to "valley." For example, purchase "i.o.u.'s," inability to give timely rewards to those who overfulfil their state purchase quotas, and unendurable artificial pesticides. Yet, the central issue is low purchase prices.

Cotton-grain parity is the main factor in determining cotton prices. In the earliest years of reform, the state raised cotton purchase prices and adopted preferential support policies. In Henan, cotton to grain (wheat) parity returned to the most reasonable level of 1:8. Peasant enthusiasm for growing cotton was high. In 1984 cotton production leaped to a new stage. Volume increased greatly. Reserves were ample. However, thereafter there was a misconception that there would be enough cotton if none was planted for several years. Thus, production was inappropriately reduced and some preferential measures rescinded. Peasant enthusiasm for growing cotton dampened. There were sharp drops in the area planted and total output. In the past two years the state raised purchase prices twice, but the cost of growing cotton greatly rose because of inflated agricultural production material prices. This cancelled out some of the benefits on higher priced cotton. As for cotton to grain parity, higher grain prices have made it impossible to get beyond a low 1:4 or 1:5 level.

Prices also must reflect production cost changes, otherwise they will have a negative effect. In recent years agricultural production material prices have risen rather quickly while cotton purchase prices can only rise so far. As for time and money spent planting cotton, on the average it is several times more expensive to grow one mu of cotton than one mu of wheat or corn, although the average return is not much higher. For each mu of cotton, goods and materials consumed and farm taxes alone cost more than 100 yuan. Thus, peasants are unwilling to plant cotton or want to plant less. Therefore, in the 1989 cloudy and rainy days in Henan, the harvest period was delayed. There was a conflict with wheat planting, many peasants chose to plant wheat instead. This caused Henan's cotton production to experience "one disaster after another."

There is a serious imbalance in the comparative benefits between cotton and other cash crops. In 1990 there has been a popular saying in rural areas that somewhat reflects this: "In one year you can earn 1,000 dollars if you plant fruit trees and grow melons and vegetables; you will have little income and more problems besides spending effort and money if you plant cotton."

At the end of 1989 the peasants learned the news that the state would raise the purchase price on cotton from September of 1990. So, some peasants who originally delayed, grudging to sell their cotton, sealed it up for safekeeping. It was desolate at every purchasing station

using current list prices. This is another reason for the shortage in planned cotton supplies at mills in Henan.

#### **Inflated Cotton Demand**

There are three main reasons for the inflated demand in cotton usage:

First, since the mid-1980's, urban and rural living standards have risen. Cotton yarn and cloth demand increase daily in the domestic market. At the same time, international market demand turned for the better. Cotton textile products make Henan the state's number one foreign exchange earner.

Second, cotton prices are relatively low. Cotton textile product prices rise rather quickly. It is relatively easy to earn money by processing. Localities that can invest in mills get high output value and rich tax benefits.

Third, as for the local fiscal contract and optional target responsibility systems, they strengthen local interest viewpoints and short-term investment behavior. Henan is a major cotton producer. Its local industrial base is quite weak. Everyone wants to make cotton resources back quick economic growth and be the source of fiscal revenue.

Thus, "cotton spinning fever" has leveled off year by year. In the short space of several years, provincial planned textile capacity grew 30 percent, of which, a certain portion is "surplus production" outside of the state-controlled cotton usage plan. There are now more than 250 small cotton mills outside the plan. They have a spindle production capacity of 500,000 to 600,000 spindles. They annually "eat" about 2 million dan cotton.

As for the small mills outside the plan, although Henan has adopted various restraint measures, it has been difficult to control them. In some areas, cities, and counties, the leaders try to defend themselves, saying, mills are opened by the common people to turn chicken eggs into money. If they do not produce, how will they live?! Some mills were built with bank loans; if you close them down, how will they make repayments?! Some mills have become local fiscal revenue pillars. If put out of work, how will the people eat?! Now that there is "surplus production," how can you choke it to death?

The scarcer the cotton, the fiercer the fighting. In 1989 Henan planting was further reduced and beset by calamity again. One "great cotton war" after another arose among areas, cities, and counties, bringing the proportion of fulfilled purchase plan quotas to a 10-year low. In order to "seize" limited resources, grassroots supply and marketing cooperatives and cotton and hemp companies cannot but transgress regulations and up grades. This has caused the general grade of production-use cotton supplied under the plan to be falsely high. Quality and price are out of whack. Mixing is very serious. Large and medium-sized cotton textile enterprises have endless grievances.

[25 May 90 p 1]

[Text] Wondering deeply about consumers, managers, and producers during our probe, we returned to our original starting point:

What can be done about the pressing hunger at textile mills?

#### **Breaking Deadlock Requires Coordinated Action on All Sides**

In the blink of an eye, the cotton shortage is getting more serious each day. The problem is imminent. Cotton-using enterprises, managing units, peasants in cotton producing areas, and those who formulate policy all must commence from the view of overall stability, mutually support each other, and take action in concert.

Cotton spinning enterprises should actively adopt measures to reduce cotton use, shut down some machines, reduce production speed, readjust the product mix, use more non-cotton fibers, and in the next few months go all out to keep surplus cotton production and operating rates at certain minimum levels.

Enterprises plan for future production according to what little remains of planned supplied cotton quotas. Some of this cotton has not yet entered the mills. We should uphold the solemnity of the state plan and ensure that "sovereign cotton" will come into the mills on time and in amounts planned for.

In early May, in Zhoubei village of Yanling county, we visited six households, four of which had bags and bags of cotton weighing from several dozen kilos to several hundred kilos. One family was holding on to more than 400 kilos. The mayor of the village said the masses are holding on to, not selling, approximately 50,000 kilos of cotton.

Three departments managing cotton in the county said that in 1989 the county produced 19 million kilos of cotton, but only 10 million kilos were sold. When you subtract the cotton used by small mills and the outflow from the "cotton wars," conservative estimates put around 2 million kilos of cotton in the hands of peasants countywide. This is enough to tide two medium-sized textile mills over the difficulty.

This figure generally is consistent with that calculated by relevant provincial departments. About 500,000 to 1 million dan of commercial cotton is held up in rural Henan. If the cotton could be sold, then backbone textile enterprises could "tighten their belts" and make it through this "famine."

The problem is that those holding the cotton are waiting for new price policies to be implemented in September. Peasants refuse to sell it for current list prices. Those concerned suggest that under the premise of not harming the interests of the state or the peasants, we could move up implementing the previously announced higher price policies or adopt other flexible methods. Enterprises

would be responsible for adding to the prices, and managing units for buying and directional allocating. Both mills and peasants would happily accept this plan.

#### Hopes for Leaving the "Low Valley"

In order to turn around the several year wavering, dropping fluctuating situation in cotton production, the state previously announced that as of 1 Sep 90, the purchasing price per dan of standard cotton will rise from 236 yuan to 300 yuan. This is a 26.9 percent upward readjustment, seldom seen in many years.

In order to quicken the pace of cotton production, besides the original encouraging and support policies, the provincial government also promoted several new ones.

During our visit to rural areas, we deeply felt the driving effect of these policies. A rather obvious one is the stable growth in planted area over 1989. Local desire to plant cotton and peasant enthusiasm are picking up.

However, from what we saw and heard and our studies from various angles told us that it is overly optimistic to place hopes for getting cotton production out of the "low valley" upon price readjustment alone.

Considered from the policy angle, this price readjustment came about due to many years of imbalance and stagnation. Even if the cotton to grain parity ratio rose to around 1:6, it would still be far from reasonable.

Considering the actual situation in Henan, there are many people but little land. There is an extremely pointed land battle between grain foods and cash crops. After several years of readjustment, the proportion of area planted in cotton versus food grains and other crops is stabilizing. It is not feasible to rely on expanded planting area to get cotton production out of its low valley and increase effective supply.

During our interviews, we noted the following fact: under similar pricing and bonus policies, peasants got sizable incomes in those places that broadly used advanced cotton growing technology and had rather high per unit yield area. Their enthusiasm is growing high, not falling.

Yanling county is a model example. For many years, using methods tilted toward upholding policy, it promoted a series of high output applied wheat and cotton technology to numerous households. It developed more than 300,000 mu of wheat and cotton in the county. On average, the per unit yield area for the two crops was around 300 kilos and 70 kilos [respectively]. Mu income was more than 600 yuan. Planting cotton has become the main income source for peasants in the area.

Xinxiang County and Fugou County, likewise, rely on science and technology inputs to achieve large-scale high yields. Average per unit yield area is more than double the county rate. This shows that there is still enormous potential to improve per unit yield area of cotton in

Henan. Why not raise average mu output 10 to 20 kilos. The cotton shortage situation would surely change.

Thus we can determine a basic way of thinking about increasing cotton production in Henan: Get help from the cotton price adjustment impetus, stabilize area planted, rely on science and technology, improve per unit yield area levels, promote quick gross output increases. This is the hope for getting cotton production out of its "low valley."

#### The Choice To "Sell or Save"

To resolve the cotton shortage and balance supply and demand, we still must effectively contain inflated demand for industrial-use cotton while increasing cotton production.

Analyzing Henan's cotton demand mix, state contracts and society's pressing needs for cotton must be met. These two big demands are relatively stable. It is the demand for industrial-use cotton that is inflated. Annual demand has reached 10 million dan, of which, textile capacity cotton demand outside the plan accounts for around 45 percent.

Small mills, medium-sized individually run mills, and rural mills are the majority. Their equipment is simple, handiwork crude, and product quality poor. They should be weeded out. Yet, there are limits to how much cotton they consume. It is rather the small mills run by various levels of government and departments that use 70 to 80 percent of all cotton outside the plan. These small mills have rather good equipment of adequate scale. They have become an important reserve strength for Henan's textile industry. As a major cotton producer, Henan is in line with the state's macroeconomic plan to "strive to put additional new textile production capacity in producing areas."

Therefore, when exploring feasible routes for Henan to contain the inflated demand for industrial-use cotton, we should simultaneously proceed from these points: Stabilize the scale of existing textile capacity, prevent new capacity increases, suppress continued growth in demand for industrial-use cotton, readjust the product mix, improve product grades, increase colors and varieties, use more noncotton fibers, and urge reductions in relative industrial-use cotton demand.

Those concerned suggested some views and opinions worth considering: Use light and heavy [industry] emergency aid to resolve temporarily the hard to solve cotton shortage. Sacrifice partial interests to ensure general interests. Gradually establish a rational high price raw material, low price product price system. In quality competition, weed out small mills with backward technology and management, inferior products and high prices. Implement preferential policies, encourage existing textile capacity to produce hemp, yarn, and other non-cotton textile goods. Improve cotton textile product quality and grades. Urge enterprises to work for

more processing and seek high returns under conditions of reduced total cotton allocation.

### **Henan Peasants Hold Big Grain Reserve**

*90CE0298A Beijing NONGMIN RIBAO in Chinese*  
30 May 90 p 2

[Article: "Why Rural Households Have Stored So Much Grain"]

[Text] According to a sample survey of 4,200 rural households in Henan Province's 42 counties, as of the end of March this year 221.05 kilograms of grain were stored per capita in rural households. A correct calculation on this basis shows that in the province as a whole about 15.77 billion kilograms are stored in rural households. If we calculate the average monthly consumption of grain (including grain rations, feed, and seeds) in 1989 at 1.95 billion kilograms, then the grain stored in peasant households throughout the province is sufficient for eight months' use. There are the following three main reasons that a large amount of grain is in the hands of rural households:

**Warehouses are full, and it is difficult for grain departments to make purchases**

According to the grain departments' statistics, as of the end of 1989 Henan had sold 3.22 billion kilograms of grain at par, 1.464 billion kilograms of grain at negotiated prices, and 103 million kilograms at net par, a respective reduction as compared with those of 1988 of 32, 27.3, and 24 percent. This caused an increase in the grain reserve, which 3.8 billion kilograms, 1.23 billion kilograms higher than in 1988. It is estimated that by the end of May the grain reserve could reach about 3.25 billion kilograms. If it is calculated that 4.5 billion kilograms will be sold in the summer, then at that time there will be 1.75 billion kilograms of grain for which there will be no storage space.

In addition, the grain departments' funds mainly depend upon bank loans. Because grain is sold but not shipped to other localities, the reserve has grown and there is serious pressure on funds, causing the interest burden to be heavy. According to statistics, as of the end of March this year, the amount of bank loans taken out by all grain departments in the province was 5.128 billion yuan, an increase of 1.708 billion yuan over last year's 3.42 billion yuan for the same period. In the first quarter of this year, the departments paid out 103.53 million yuan in interest, an increase of 56.19 million yuan over the figure for the same period last year. Adding the reserve's storage fees and other costs, in the first quarter of this year the grain departments in the province lost a total of 150.25 million yuan. Thus, the grain departments do not dare to purchase freely, which causes a certain amount of grain to be overstocked in the hands of rural households.

**With the grain price tumbling, peasants are reluctant to sell**

In recent years, in its exchange with industrial products, grain has been in a disadvantageous position. Take, for example, the exchange of wheat for chemical fertilizer. One hundred kilograms of wheat in 1983 could be exchanged for 274.4 kilograms of chemical fertilizer, and in 1989 [as published] it could still be exchanged for 171.5 kilograms, but in 1989 it could be exchanged for only 86.6 kilograms. In the first quarter of this year, the price of grain left on the market dropped 11.2 percentage points as compared with the price in the same period of last year. This state of affairs is bound to affect adversely the peasants' enthusiasm for selling grain. According to a survey, the rural households plan to sell after March per capita only 12.69 kilograms of grain, accounting for only 5.7 percent of their stored grain.

**The safety-first psychology of "accumulating millet to prevent famine"**

The influence of natural elements on agriculture is quite large. Under the circumstances in which the peasants' income level is not high, and the rural households' capability to take risks is fairly weak, grain, which has the dual nature of being a means of life and a means of production, is considered by the peasants to be an important family asset to accumulate, and it plays a considerable safety-first role in guarding against natural and manmade calamities. According to a survey of 502 households with surplus grain, taken by the agricultural survey team of Nanyang Prefecture, 54 percent of the household, because "having a little reserve grain gives peace of mind," are unwilling to sell their surplus grain.

### **Anhui Rapeseed Procurement**

*40060055C Hefei ANHUI RIBAO in Chinese*  
26 Jun 90 p 1

[Summary] As of 20 June, Anhui Province had put 382,000 tons of rapeseed in stock, an increase of 234,200 tons over the same period in 1989. Of this amount, 303,600 tons were procured at contracted prices, fulfilling 100.85 percent of the task, and was an increase of 199,000 tons over the same period in 1989.

### **Yunnan Grain Procurement**

*40060055D Kunming YUNNAN RIBAO in Chinese*  
18 Jun 90 p 1

[Summary] As of 10 June, Yunnan Province had put 73,560 million kilograms of contracted grain in storage, fulfilling 53.8 percent of the task, and was an increase of 7,190 million kilograms over the same period in 1989. Yunnan procured 75,710,000 kilograms of grain at negotiated prices, an increase of 5,860,000 kilograms over the same period in 1989; and 38,620 million kilograms of rapeseeds were procured, an increase of 27,070 million kilograms over the same period in 1989.

**Heilongjiang Dairy Cattle Increases**

40060055E Harbin HEILONGJIANG RIBAO in Chinese 18 Jun 90 p 1

[Summary] At the end of the first quarter of 1990, the number of dairy cows in Heilongjiang Province totaled 488,000, a 3.8 percent increase over the same period in 1989; and milk output was 201,000 tons, a 7.5 percent increase.

**Sichuan Wheat Procurement Price**

40060055F Chengdu SICHUAN RIBAO in Chinese 17 Jun 90 p 1

[Summary] The procurement price for wheat (medium grade) in Sichuan Province is 0.80 yuan per kilogram.

**Material Supplies for Agriculture Increased**

OW2007191290 Beijing XINHUA in English 1201 GMT 20 Jul 90

[Text] Beijing, July 20 (XINHUA)—China has increased its material supplies for agriculture and water conservation this year in spite of the ongoing austerity program, an official from the Ministry of Materials and Equipment said today.

According to the ministry, China has earmarked 881,000 tons of steel for agricultural production and another 673,000 tons for the production of farm machinery, increases of 10,000 each over 1989.

Most of these materials, the official said, are provided for major grain-producing provinces like Jilin and Jiangxi, and state farms which mainly produce commodity grain for the country.

Meanwhile, China has specially prepared materials for comprehensive agricultural development in plains in the south and northeast, which have vast areas of low-yielding land but play a major role in the country's grain production. The materials are designed to help improve low-yielding land, grassland and afforestation.

According to the Ministry of Materials and Equipment, China has given preferential treatment in investment and material supply this year to small chemical fertilizer plants to ensure an ample supply for this year's agricultural production.

**Imports of Cereals, Oils in June**

HK2407105190 Beijing CEI Database in English 24 Jul 90

[Text] Beijing (CEI)—Following is a list showing the volume of China's imports of cereals, oils and food in June, 1990, according to primary statistics released by the General Administration of Customs.

Item	Unit	June 1990	June 1989
Cereals	ton	1,382,285	2,015,937
wheat	ton	1,224,792	1,830,694

soybean	ton	53	172
Sugar	ton	107,106	234,824
Animal oils and fats	ton	4,449	12,990
Edible oil	ton	58,400	81,260
Other oils	ton	67,851	50,942

**Sichuan Grain Procurement**

40060056A Chengdu SICHUAN RIBAO in Chinese 20 Jun 90 p 1

[Summary] As of 15 June, Sichuan Province had put 1.113 billion kilograms of grain in storage, an increase of 500 million kilograms over the same period in 1989; and 760 million kilograms of rapeseeds were put in storage, an increase of 328 million kilograms.

**Shanxi Wheat Procurement Price**

40060056B Taiyuan SHANXI NONGMIN in Chinese 21 Jun 90 p 1

[Summary] The procurement price for first grade wheat in Shanxi Province is 1 to 1.02 yuan per kilogram.

**Jiangsu Hog Procurement**

40060056C Nanjing XINHUA RIBAO in Chinese 28 Jun 90 p 1

[Summary] In April and May, Jiangsu Province procured 1,326,800 hogs, and sold 899,100—increases of 26.4 percent and 48.77 percent respectively over the same period in 1989.

**Anhui Tea Procurement**

40060056D Hefei ANHUI RIBAO in Chinese 24 Jun 90 p 1

[Summary] As of 10 June, Anhui Province had procured 15022.6 [as published] tons of tea, a 31.6 percent increase over the same period in 1989.

**Henan Grain Procurement**

40060056E Zhengzhou HENAN RIBAO in Chinese 5 Jul 90 p 1

[Summary] As of 30 June, Henan Province had put 1.660 billion kilograms of grain in storage, fulfilling 56.3 percent of the task.

**Shanxi Grain Output**

40060056F Taiyuan SHANXI NONGMIN in Chinese 28 Jun 90 p 1

[Summary] Estimated summer grain output in Shanxi Province is 3.21 billion kilograms, an increase of 455 million kilograms over 1989; of this amount, estimated wheat output is 3.12 billion kilograms, an increase of 458 million kilograms, or 17.2 percent over 1989.

**Comment on Recent Student Management Rules**

*90CM0213A Beijing DAXUESHENG [UNIVERSITY STUDENTS] in Chinese No 4, 10 Apr 90 pp 8-9*

[Article by Shi Liu (4258 2692): "An Interview With Concerned Sectors of the State Education Commission; 'General Supervisory Stipulations for Students in Higher Education' Decreed"]

[Text] The "Common Management Stipulations for Students in Higher Education" is a major event in the lives and studies of university students, something which they must understand clearly and abide by strictly. Having some questions about the "Stipulations," we paid a visit to relevant sectors of the State Education Commission.

[Shi Liu] As we understand it, these are the first overall stipulations concerning students in higher education decreed since liberation. What were the conditions under which they were laid down?

[Answer] Since liberation, China's academic institutions have trained a large pool of outstanding talent for socialist construction, as well as accumulating a wealth of experience in supervising students. Along with the development of socialism and the demands of the times, we require a set of rules and regulations for higher education which are continuously being improved and perfected, to make student supervisory work more scientific and standardized. Student supervision in the past was concerned mostly with what was needed in certain areas, and not with comprehensive stipulations. In 1983, the Ministry of Education issued its "Common National Methods for Supervision of Students in Higher Education" (hereinafter referred to as "Methods"). These centered chiefly on student teaching and learning activities in the classroom and the needs raised by these, with no stipulations concerning student activities outside of the classroom, or their daily lives and conduct. In 1988 the responsible departments of the State Education Commission drafted a revision to the "Methods," titled "General Supervisory Stipulations for Students in Higher Education," which were completed in March 1989. After many revisions and solicited criticisms, these were issued for implementation in January 1990.

[Shi Liu] In what ways do the "Stipulations" revise the "Methods," and what do they add that is new?

[Answer] The "Stipulations" lay out what is expected of college and university students from initial enrollment to graduation, in their studies, their lives, and their daily conduct; they are more complete than the "Methods," although their basic expectations and guiding ideology are the same. They are intended to ensure that students will be physically and mentally healthy, developing in such things as morality, mind, and body, which will ensure that they realize the goals of their training. The "Stipulations" modify the "Methods" mainly on two points: First, where the "Methods" are broader and

more rigid, the "Stipulations" are somewhat more flexible. For example, each term students who do not pass a course can, by rule, "take the makeup exam once," and those students who fail after completing their studies can, by rule, "apply to take the makeup exam once one year after completing studies." In the "Stipulations" this is changed to "take makeup exams as the school may stipulate." Second, amended in the "Methods" were some unrealistic provisions. For example, for students who must leave school for various reasons, "before entering school, their return will be arranged by their original unit, whatever state or collective work unit they are employed by." Along with reform of the economic system, enterprise and business units' powers of independence have changed as well, making the ways in which students leave and return to their original units increasingly difficult. When employees who have left work to attend college graduate, they are part of a unified allocation by the state which is related to their leaving their original units; it makes no sense to require the original unit to accept students who leave school. Therefore, the "Stipulations" change this to treating students in general in the same way, "returning heads of households or providers will be located and settled."

[Shi Liu] Why was the part about "activities outside of class" added?

[Answer] Out-of-class activities are an important part of the university student's learning and living, an important supplement to classroom learning. The schools should enthusiastically encourage, initiate, and guarantee out-of-class activities which are beneficial to developing student health, while strengthening their supervision to advance the students' development of their morals, minds, and bodies. Therefore, the chief contents of the "Stipulations" concerning out-of-class activities are those about students' participation in such activities outside of class as mass organizations, recreational activities, work-study programs, social movements, and so on. Actually, the contents of many of the provisions were already contained in relevant documents of the State Education Commission, and now, by being restated and perfected in the "Stipulations," they are more scientific, standardized, and legal. Their purpose is to create a good environment for university students' healthy growth to maturity, providing the necessary conditions so that in addition to their classroom studies they will gain beneficial training in activities outside of class, becoming university students who are up to standard.

[Shi Liu] Since you are promoting and supporting students in work-study programs, why do you not permit students to engage in business individually? What is the difference?

[Answer] First of all, work-study is chiefly this kind of activity. Students use their time outside of classroom studies to participate in scientific, technical, or cultural service or in labor service, using this service as a supplement when their tuition or living expenses are insufficient. Engaging in trade, however, is chiefly aimed at

doing business, commercial activites in which the sole aim is to make a profit. The objectives of each are fundamentally different. Next, a student's primary mission is to learn, and work-study programs should be linked with what a student is majoring in, so that, at the same time the student is earning a supplement to learning and living expenses, it can foster the student's work capability by benefiting the student's major studies. A student can of course participate in some labor service, to foster an attitude toward labor and a drive to earn one's own living. Moreover, participation in these services and activities is a case of doing what one is capable of and knowing when to stop, and not involving a great deal of effort, which can affect the end objective of learning. But business must be conducted according to the administrative and management stipulations of the company concerned; a good deal of time and effort can be wasted in learning the business, profit and loss problems, and so on. It is difficult for students to be equal to this, and consequently it affects their school work. Finally, looking at it realistically, the studies as well as the physical and mental health of students who engage in business are damaged and affected in varying degrees. For these reasons, we begin with safeguarding the physical and mental health of the students, and stipulate that students cannot engage in business activity on their own.

[Shi Liu] In the "Stipulations" there is an explicit order banning illegal organizations and publications; what does this refer to? How are student mass organizations regarded?

[Answer] An illegal organization is any which has not gone through the necessary process of applying for and receiving the approval of relevant departments. The activities engaged in by such an organization are in violation of national laws and regulations, so it is an illegal organization. In the same way, for any publication which has not gone through the necessary process of applying for and receiving the approval of relevant departments, the contents of such publications are in violation of national laws and regulations, so that is an illegal publication. To counter illegal organizations and publications of this sort, there is an order in the "Stipulations" prohibiting them.

As for students' normal activities in science and technology, culture, and sports, the schools should support and encourage these, as well as provide the necessary conditions. Student mass organizations of this sort should all be registered in accordance with the text of the "Stipulations" and the relevant regulations of the school, obtaining the school's support. At the same time, the school should provide strong leadership and management to ensure the development of normal activities of student mass organizations.

[Shi Liu] Why prohibit the posting of large- and small-character posters on campus?

[Answer] The article in the Chinese Constitution which deals with abolishing the "four bigs" explains that the Constitution does not protect large- or small-character posters. In addition, both historically and currently, large- and small-character posters have not performed any good function. The 10 years of the Cultural Revolution, the upheavals which took place in late spring of last year, and the counterrevolutionary rebellion all demonstrated how big- and small-character posters can be put to bad use; this is especially the case with irresponsible posters or those that have ulterior motives. They can only cause disorder. Moreover, large- and small-character posters affect the school's appearance and the order of things within the school. Therefore it is stipulated that large- and small-character posters are prohibited on campus. But at the same time it is also stipulated that the schools must encourage students to make criticisms and recommendations concerning the work of the schools, supporting the students in participating in the schools' democratic management, and conscientiously handing up to higher level organizations and relevant departments the opinions and suggestions of students concerning the nation's governmental and social work.

#### Violent Crime Reportly Increasing

90CM0244A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 244, 1 May 90 pp 84-85

[Article by Zhong Wen (6988 5113): "The Number of Robberies Is on the Rise in China"]

[Text] In the past six months or so, people who went to China to visit relatives and friends, go sightseeing, or conduct official businesses, realized, after they had contacts with their friends and relatives there or after they settled down and saw and heard for themselves, that public security was so bad that it was considered extremely serious throughout Mainland China. When briefing the deputies to the National People's Congress who were inspecting Beijing, Yu Lei, vice minister of public security, also admitted that the number of criminal cases filed throughout China had increased 138 percent as compared to last year. Of these, major cases doubled, and the number of unstable factors affecting public security was on the rise.

#### Armed Robberies Kill and Injure People

Current robbery and theft cases in Mainland China are no longer just pilferage. They have developed into armed break-ins or holdups. According to reports by SHEN-ZHEN TEQU BAO, on 23 December 1989, a woman named Cao Xiujuan [2580 4423 1227] walked by the Chengxin Umbrella Factory in the Tongle village industrial zone in Longgang township, Baoan County, Shenzhen. Three ruffians with knives suddenly jumped out of the bathroom, dragged her inside, and robbed her. As a result of her vigorous resistance, she was stabbed in her abdomen, thighs, and right hand, and was beaten on her head and right forehead. The 35,000 yuan she was carrying was also taken away.

According to a GUANGZHOU RIBAO report, a young worker named Zeng Weixiong [2582 0251 7160], who lived on the fourth floor of Building 24 in the Xingang residential area in Huangpu district of Guangzhou City, returned home one day and found that the lock of his metal door was pried open. He went inside, and a ruffian holding a long knife dashed out of the room and cut Zeng Weixiong several times on his hands. Fortunately, neighbors heard him and came to his rescue. They caught the ruffian and sent Zeng Weixiong to the hospital emergency room.

GUANGZHOU RIBAO also reported that in early January 1990, Hu Zheng [5170 2973] and other two ruffians tricked Yuan [5913] and other two people at a photographic equipment company in Beijing to take 450,000 yuan worth of bills of exchange to Guangzhou. On the day of 5 January, Hu Zheng and his partners pointed guns and daggers at the victims, tied them up with ropes, and took away their bills of exchange. Immediately they took the bills to a stationary purchasing station in Guangzhou City and exchanged them for 720,000 yuan worth of Japanese Fuji film. Then they transported the film overnight to Shantou where they disposed of the films and ran off with over 400,000 yuan.

Another characteristic of robberies in Mainland China is that many ruffians are fierce and cruel by nature. They take not only money but lives. According to a report in RENMIN RIBAO, on the morning of 25 December 1989, two masked ruffians broke into a branch of the credit cooperative in Guihua township, Dongshi town, Zhijiang County, Hubei Province. They threatened with knives Pan Xinglan [3382 2502 5695] and Yang Danlan [2799 1129 5695], female workers at the credit cooperative, demanding that these two girls, who were only 19 years old, give them the keys to the safe. Yang Danlan resisted. She was cut several times and fell in a puddle of blood. The ruffians again threatened Pan Xinglan, saying that if she did not give them the keys, they would cut her flesh off little by little. Pan Xinglan resisted. They cruelly cut off her ears and the flesh on her hands. Pan bore the pain and ran toward the outside with all her might. The ruffians used bayonets and daggers to stab her at random, injuring her in more than 20 places. Villagers in the neighborhood heard the noise and came to her rescue. Pan Xinglan was lucky to escape, but Yang Danlan died from her serious wounds.

NANFANG RIBAO reported that on 22 November 1989, Guo [6753], who ran an individual economic household dealing with tobacco on Renmin Road, Lechang County, Guangdong Province, and his helper were knocked unconscious and then strangled to death around 0300 in the morning by two ruffians named Zhang [1728] and Dang [8093]. The ruffians ran away with 15,000 yuan and 16 cartons of cigarettes they found in the shop.

#### Gangs Are Formed To Rob Vehicles

In addition to holdups and break-ins, some people have formed gangs to rob trains and hold up vehicles.

According to a wire from the XINHUA NEWS AGENCY, since 1988, a group of fugitive criminals who originally came from northeast China and were known as the "Southbound Detachment" and the "Railroad Squad" formed gangs and have used sharp knives, daggers, and guns, and other weapons to rob, kill, and wound passengers and injure security guards who tried to stop their criminal activities on trains running on major railroads, including the Jingguang, Longhai, Zhegan, and Shitai lines. On 20 March 1989, when the No. 258 passenger train running from Changsha to Zhangzhou came to somewhere between Xiaogan and Xinyang, nine fugitive criminals with knives who called themselves "Northeast Tigers" broke into car No. 10 to rob the passengers. Two security guards found out and tried to catch them. The criminals jumped on them, sealed the car, stabbed the security guards, and took away their handguns and bullets.

Train robberies have also occurred in Guangdong. According to a GUANGZHOU RIBAO report, around nine o'clock [AM or PM not specified] on 3 February 1990, when No. 547 train, which ran from Shaoguan to Guangzhou, pulled into the Shatou station in Yingde County, a group of ruffians who had been waiting on the train for a chance to attack suddenly took out their weapons and started robbing the passengers. One passenger resisted and was stabbed three times in the chest and head with a knife. According to a wire from ZHONGXIN NEWS AGENCY on 21 February, over 30,000 cases of railroad crimes occurred in Mainland China in 1989. Among them, over 9,000 were major ones.

Trains have been robbed. Automobiles have also been robbed. GUANGZHOU RIBAO reported that around 0400 on the morning of 17 February, Tan [6223], a driver for Dunhou Chemical Plant in Foshan City, and three other people were driving on the Guangshen Highway to go to Foshan. When they drove close to the pedestrian overpass on Huangpu Road in Guangzhou City, four ruffians suddenly pushed their bicycles out into the fast lane. Seeing this, Tan braked immediately. The four ruffians surrounded the car and demanded that Tan pay for damaging their bicycles. Tan reasoned with them and was stabbed with a knife and robbed of 1,000 yuan in cash he was carrying. According to the investigations carried out later by the public security department, this group of ruffians had used the same method to commit four cases of car robbery since December 1989. Some drivers in Guangzhou said that on the Guangdong-Hunan highway in the mountainous area of Xinfeng County of Guangdong Province, there were often gangs who blocked cars with lumber and then robbed the people in the cars.

#### Policemen Are Terrified and Public Order Worsens

It used to be the duty of the police to catch robbers. But since many ruffians in Mainland China are desperadoes who carry weapons, even policemen fear them to some degree. According to a report in NANFANG RIBAO, in

the wee hours of 15 August 1989, a ruffian robbed tourists in Zhongshan Park in Shantou City, Guangdong. Policeman Jia Nanya [6328 0589 0068] went after him but was hit on the head with a steel club and bled profusely.

YANGCHENG WANBAO also reported that on 29 November 1989 a ruffian nicknamed "Sanmao" and another nicknamed "Airplane Artillery" broke into a house with guns. Policeman Li Xihua [2621 6007 5478] went after them, but he was shot to death by the bandits. For a while, many policemen and security guards who did not carry guns in Guangzhou City were terrified. They were too scared to go after armed bandits even if they saw one.

Why has public order deteriorated in urban and rural areas of Mainland China? Why have robberies occurred continuously and major cases involving murder for money doubled? One of the reasons is that many people have been unemployed for a long time because of the improvement and rectification efforts plus corrupt officials and a sliding economy. Even the official newspaper CHINA DAILY has admitted that over 10 million people are still living in privation in Mainland China. Some people have no way of making a living, so they have no choice but take a reckless move.

GUANGZHOU RIBAO once reported that two laborers from Qiyang County in Hunan Province could not make a living, so they went south to Guangdong to find work. But Guangdong ordered enterprises not to hire laborers from other provinces. They had no way to make a living, so they had to steal and commit crimes.

Currently, because of the frequent occurrence of robberies in Guangzhou City, the authorities have organized residents to prevent robbery. Even taxis must install crime-prevention devices to keep drivers from being robbed. The public security departments have announced that they will strengthen public security work and sentence some robbers to death. But because the economy is getting worse and worse, the number of unemployed people is increasing, and peasants in disaster areas have no way to support themselves, many people are forced to make a reckless move. While the authorities are at their wit's end regarding the deteriorating public security, the people are living in fear.

#### **Status of Marxist Philosophy Assessed**

90CM0236A Beijing GUANGMING RIBAO in Chinese  
14 May 90 p 3

[Article by Huang Nansen (7806 2809 2773) and Fan Wen (5400 2429)]

#### **[Text] Basic Views of Marxist Philosophy Not Outdated**

In recent years, people have held regular discussions on those viewpoints of Marxism that need to be adhered to, and those that need further development. In such discussions different, sometimes opposing, views appear,

which is quite normal. It must be pointed out that it is impossible to make clear-cut judgments as to which principles should be adhered to, and which need development. Actually, each basic principle should be adhered to and developed, which is to adhere to anything in it that is valid, to revise any invalid factors, and to supplement fragments to enrich the contents. But the problem in recent years concerns some theorists who are trying to negate certain basic views and basic principles. But negation of these basic viewpoints implies the overthrow of Marxist philosophy.

For example, the real world is objective reality, not based on the transfer of human consciousness, for the world is unified in matter, matter being the first nature and mind being the second nature. All of this forms the basic principles of materialism. No doubt the actual content of these principles continues to change with the times, but will these basic principles become negated with developments in time? Certain views suggest that Marxist philosophy recognizes the objective world that exists independent of man, a purely objective stand of "seeing matter without seeing man," a "remnant of the old philosophy," now "passe" and "old." According to this viewpoint, only praxis is the basis of all existence, the world is united in praxis, and any discussion of existence apart from praxis is meaningless. The natural world encountered by man is a nature that is humanized, and a nature not humanized is nonexistent or meaningless. This viewpoint obviously is not right. According to the Marxist viewpoint, the world we encounter contains nature in both its humanized and nonhumanized forms. The humanized natural world is the one that has been transformed by the praxis of man. When we discuss the humanized natural world, it does not mean that we negate or exclude that part of nature that has not been transformed by man—that is, the actual existence and meaning of the nonhumanized natural world. Otherwise, why do people study those distant heavenly bodies? What is the purpose of studying the earth's evolution before the appearance of man? Humanized nature is a continuous transformation of nonhumanized nature. Not only is the objective reality of nonhumanized nature not transferred through human consciousness, neither is that of humanized nature. Whether an object is transformed by the subject and whether it exists objectively cannot be discussed in one breath, for they are two problems.

Take the principle of the reflection theory in dialectical materialism, which has been much criticized in recent years. One viewpoint considers the reflection theories discussed as the mechanistic reflection theory or the intuitive reflection theory in Lenin's *Materialism and Empiricocriticism* as being "outdated" and "decadent," and needing to be replaced by "selection theory," "construction theory," "restructure theory," and "creative theory." Such a view is also a fragmented one. "Reflection theory" comes in many forms: There is a mechanistic reflection theory and there is a dynamic reflection theory. The Marxist reflection theory is like other reflection theories of materialism in that it firmly considers

the objective world as the object of cognition, human cognition is a reflection of the objective world, and the basic nature of cognition is reflection. However, Marxism's reflection theory is a dynamic revolutionary one; that is, it is the subject's reflection on the object, on the basis of social praxis. The reflection process in people is a complex one that begins on the practical foundation of feeling, perception, and expression, rising from a receptive cognition to a reasoning cognition to praxis, which after repeated testing, will lead to a true reasoned cognition approximating an accurate reflection of the objective world and its laws not transferred by human consciousness. Definite factors such as "selecting," "constructing," "restructuring," and "creating" arise during the course of reflection, and there is no doubt that studying these problems is helpful toward a deeper understanding of the reflection process, but they do not negate the reflection theory. The basic view of the reflection theory arises from thousands of praxes mankind has tried over time. If man's cognition is not a reflection of the external, any praxis activity and intellectual exchanges between people, including that of the opposition, are not possible in reflection theory.

Marxist philosophy possesses a series of fresh characteristics. First is its praxis nature. It introduces the scientific praxis viewpoint into philosophy and emphasizes the basic role of praxis in the world and historical views, and in cognition theory. As the result, it must develop as praxis develops in human society. Marxist philosophy is also scientific. It quite accurately exposes the general laws pertaining to developments in nature, human society, and the realm of thought. In particular, discovery of historical materialism transformed socialism from a fantasy into a science. Science does not transfix itself into something unchangeable, unmindful of development of the times. Marxist philosophy also has a characteristic "openness." It "did not arise apart from the broad path of development in world civilizations," but its creation and formation culled all the best ideas from the course of human history. Not only was it established on "the permanent foundation of the old materialism," it also boldly absorbed the concept of "conscious dialectics" from the German philosophy of idealism. Contemporary developments in science and cognition also provide concrete possibilities to reinforce the "openness" of Marxist philosophy. These and other characteristics of Marxist philosophy have determined its fate in contemporary history as glorious, and not outdated.

#### No Western Philosophy Can "Surpass" Marxist Philosophy at Present

The meaning of "surpass" here includes "replace" as well. When one theory is replaced by another theory, several conditions must be present: a new form replacing the old form, science replacing nonscience, and the suitable replacing the unsuitable. Do modern Western philosophy and Marxist philosophy have such a relationship? The answer can only be in the negative.

Everyone knows that modern Western philosophy usually refers to the two great ideological trends of humanism and science. The philosophy of modern humanism began with the concept of the will as expounded by Schopenhauer and Nietzsche, through Bergson's vitalism up to the schools of existentialism of Sartre and others, and the psychoanalysis of Freud and others. This trend emphasizes the historical view and studies of humanism. It explains all human activity and the real world from the standpoint of human feeling, will, and desire, but overlooks man's reasoning ability and scientific knowledge, and negates the objectivity of the world and its laws. The philosophy of modern science began with Comte's positivism, through Mach's empiriocriticism, Russell and Wittgenstein's analytic philosophy, which finally evolved into the philosophy of science as expounded by [Karl] Popper, [Imre] Lakatos, and [Thomas S. Kuhn]. This ideological trend chiefly emphasizes cognition theory and methodology in scientific activity, but it avoids direct answers to basic problems in philosophy and negates philosophy's world view.

To explain this problem, we may take Sartre as an example to see what is being advocated. Sartre is an important representative of contemporary humanism with wide influence and a great following. "Sartre fever" was even seen in China a few years ago. Could his ideology "surpass" that of Marxism? Sartre felt that the basic problem in philosophy is "existence." He separated existence into free or "as is" existence, and self-made existence. The "free existence" he refers to is the external world, while "self-made existence" is a "self-consciousness." But the "free existence" is a "great fuzzy void," and only the "self-made existence" is real. As the result, existence of the external world is premised on existence of self-consciousness, and there is no such thing as existence apart from man's subjectivity. Obviously, Sartre's philosophy is a branch of idealism. We ask, how can such a philosophy surpass Marxist philosophy?

A wave of humanism is now having a great influence in China among theorists and our young people, but influence of the philosophy of science is seen mostly among theorists. The positivism school among them, in what is called "rejection metaphysics," urges grasping the "positivistic" aspect, but avoids addressing basic problems of philosophy by saying they are beyond the scope of positivism. What is "positive" for them is "experiential" and "sensual" and inseparable from the subject, for discussion of any objective reality apart from the subject is meaningless. Even though all the different schools of positivism have made definite contributions to philosophy in different forms, they have been unable to divorce themselves from the ruts of idealism and the theory of the unknown in the world outlook of things.

The philosophy of modern Western humanism emphasizes the important role of man and extends philosophical thinking to the inner mind of man. The philosophy of science emphasizes the close relationship between modern science and philosophy and strives to combine

developments in philosophy with developments in science. They are all significant. However, we must note several points. First, the comparison between modern Western philosophy and Marxist philosophy shows the former not to be new and the latter not to be old. In the last hundred years, the spread and development of Marxist philosophy have been very obvious. No matter, modern Western philosophy cannot be deemed the "new" philosophy, and Marxist philosophy the "old" philosophy. Second, when problems of a scientific nature are discussed, there is an obvious difference between the two in approaching them. Marxist philosophy expects to establish philosophy as a science, particularly in a socialist system, where philosophers can organize and depend on the strength of the collective to tackle problems together to build up the Marxist philosophy. With modern Western philosophy, even though many individuals also exert much effort to study philosophy as a science, they go off independently, without putting their different philosophies together as a science for further study. That is why modern Western philosophy can be classified into several schools, without any one of them having sufficient clout to contend with Marxist philosophy. Third, as far as the function of philosophy is concerned, the social benefits brought into play by Marxist philosophy is something modern Western philosophy cannot compare with. Up to the present, there is not a single Western philosophy that can guide and transform the realities of this world with conscious effectiveness in the way that Marxist philosophy has done. At any rate, modern Western philosophy has yet to "surpass" Marxist philosophy.

#### **Is Marxist Philosophy Becoming Impoverished?**

A realistic look shows that during the period of socialist revolution and construction, the study and application of Marxist philosophy in China took a convoluted course. Developments of the time, developments in science, and the deepening of reforms brought out many problems that philosophy has yet to answer satisfactorily. Viewpoints in studies on Marxist philosophy were varied, with many problems continuing to arise. Hardly a problem went by without heated discussion. How should such situations be dealt with? We feel three problems warrant clear discussion.

First, we cannot attribute mistakes in work done in the past to Marxist philosophy. Some people have suggested that many mistakes in our work in the past reflect the fact that our philosophy was unable to meet practical needs. As a result, to avoid basic mistakes, we must create a Marxism adapted to the needs of the times. We feel this approach is not right. Take "extreme transition" for instance. Certain individuals feel that this could occur under a principle guidance [which holds that] changes in the Marxism-production relationship may give impetus to development of productive forces, and because of this, they doubt the truth of the principle. However, people who are even slightly familiar with Marxism know that the basic view of historical materialism is that productivity determines the production

relationship, and such a relationship must be adapted to the needs of developing productivity. To abandon the basic premise here by exaggerating the transforming effect of the production relationship runs counter to this basic principles of Marxist philosophy. When we make the mistake of "extreme transition," isn't it theoretically counter to this principle?

Second, how does the "confusion" in Marxist philosophical studies happen? We feel we cannot simply declare what is happening with Marxist philosophy as confusion, but make a dialectical reply instead. Actually, there are two causes for this situation: One is the effect of erroneous ideology, and the other, theoretical exploration of active ideas. Since the Third Plenary Session of the 11th CPC Central Committee, an ideological liberation has taken place in theoretical discussion in China, with bold expressions of views on heretofore restricted topics, in hundred-schools-contending style, to "develop" and expound on the theory of Marxism. However, at the same time, erroneous ideology is also raising the flag of developing Marxism by negating it, so that "confusion" appears in the field of Marxist theoretical studies. We cannot blame the influence of erroneous ideologies on Marxist philosophy itself, and abandon the free discussion of theoretical problems because of this. We should make a distinction between capitalist liberalization and normal theoretical studies, to ensure normal development of such studies on Marxism.

Third, was any progress made during the past decade in work adhering to and developing Marxist philosophy? A 10-year period is not considered a long time and problems studied by philosophy are numerous, so that overstating accomplishments of the past decade is not adhering to the facts, though achievements in this area should be given full credit. The turning point took place in 1978 when the great discussion on the criteria for truth began, and great progress has been made since in studies on Marxist philosophy and its application in contemporary China.

We feel the important advances made during the last nine years cover the following points: 1) Further studies on the scope of dialectical materialism. For example, certain progress was made on studies of Lenin's definition of matter. Besides this are certain explorations into patterns of negating the negative, interchanging quality, and unifying opposites. 2) Thinking on new fruits of the science and technology revolution. Since Marxist philosophy is the outline and summation of the natural and social sciences, it must develop as these sciences develop. Explorations by many philosophers in this area in recent years are quite meaningful. 3) Studies into problems of praxis. Not only have studies of the past decade restored the authority of praxis, theory on the criteria for truth also received further development. 4) Studies into the problem of man. Scholars are unanimous regarding the important role that theories of man have in Marxist philosophy, and extensive and penetrating discussions have been made regarding man's nature and his humanity, man's self worth and social value, human

rights, socialism, humanitarianism etc. 5) Studies into problems concerning the subjective and the objective. In the past, studies into the relationship between subject and object have been inadequate, but broad and penetrating studies have been promoted on a wide scale, and further progress has been made on concepts of subject and object and their interrelationships. Scholars are unanimous in recognizing the idea that the subject and the object not only fall within the scope of cognition theory, they also fall within scope of the historical view, and should be studied in greater depth in that context. 6) Studies on applied philosophy. What is called applied philosophy refers to philosophy in general, a philosophy related to dialectic laws. The rise of applied philosophy in recent years marks a great advance in Marxist philosophical studies. It is the bridge between philosophy in general and science in particular. Whether philosophy is used to guide science, or science is used to develop philosophy, neither can be separated from applied philosophy. 7) Studies into new systematics of Marxist philosophy. China's research studies into this problem began with studies on Lenin's *Philosophy Notes*. With this as the foundation, philosophy scholars concentrated their discussion to establish principles for a philosophy system. It is widely recognized that constructing a new Marxist philosophy system requires following logic and historical principles or those consistent with the history of cognition, practical principles, and principles of openness, and so forth.

From this brief introduction we can see that Marxist philosophy in contemporary China is full of life and vitality. Not only can it exert a strong social effect on present everyday life, it also exhibits an exhilarating atmosphere in which theoretical studies are still flourishing. When this situation is compared with that of 10 years ago, we cannot say this is not a time of thriving academic activity. To call this "impoverishment" may be too far removed from the facts.

#### **Employee Theft Called Serious Problem**

90CM0251B Beijing RENMIN GONGAN BAO in Chinese 18 May 90 p 3

[Article by Li Yunsheng (2621 0061 3932) in Heilongjiang: "Survey Report on Theft Committed by Employees"]

[Text] At present, theft committed by employees in-house is outstanding. According to a survey of 11 large-sized enterprises in the city of Qiqihar, in 1989 there were more than 122 cases of employee theft, or 68.5 percent of all theft cases, creating a serious problem jeopardizing public order.

#### **A. Characteristics of Employee Theft**

1. Crimes are committed mainly to steal the rare non-ferrous metals of copper, aluminium, nickel, and platinum. They account for 60 percent of thefts. They are followed by cash and negotiable securities, and by TV's,

tape recorders, playback recorders, cameras, and other high-quality goods, which account for 22 percent and 11.4 percent of thefts, respectively. Other property accounts for only 6.6 percent.

2. The main locations where crimes are committed are warehouses, materials yards, and production warehouses where rare nonferrous metals and other production materials are stored together, as well as employee locker rooms, offices, and lounges.

3. Night is the main time when crimes are committed. More than 90 percent of all employee crimes occur at night.

4. The main methods used to commit crimes are: a) Stealing goods in one's custody, taking advantage of one's position. b) In the production process, smuggling items out of the factory bit by bit in one's lunchbox or handbag. The items are accumulated by using less than one receives, not turning over surpluses, or over-reporting wear and tear. c) Stealing and transporting production goods and materials outside of factories by using one's authority to secretly write out bills of lading and exit permits. d) Staking out a location in the daytime and stealing at night. e) Partners in crime divided between in-house and outside groups. Generally, pre-meditated plots are undertaken by a division of labor among collaborators within and without.

5. Three main groups of people commit most crimes: a) Young employees. Among 32 criminal elements caught at a certain car factory, all were under 30 years of age. b) Repeat offenders. Among the 186 criminal elements caught at the 11 large enterprises, 74 of them, or 39.8 percent, were repeat offenders. c) Collective workers. Among 51 criminal elements caught at a certain steel factory, 26 of them, or 51 percent, were groups of employees.

#### **B. Major Causes of Employee Theft**

1. Social factors. The harm done to the work force by thoughts of bourgeois freedom and surreal high-consumption propaganda is extremely great. Enterprises let up on the work force's educational training, and its political quality clearly fell. In the process of rectification and improvement, some enterprises again face a lack of funds, shortages of energy resources, under-capacity operation, and other problems, meaning actual lower incomes for some employees. Employees reacted strongly. There is also the issue of unfair job assignments.

2. Individual factors. Extreme individualism develops perniciously. People greedily seek material pleasures and a bourgeois lifestyle. When these desires clash with reality they become a motive for stealing. Others bear heavy debts due to marriage, extravagance, ostentatiousness, or gambling. Without the force to repay their debts, they make reckless moves and steal things.

3. Enterprise management factors. a) Those in charge of enterprises pay attention to production and neglect management. They pay attention to fire prevention and neglect theft prevention. Some leaders have brushed aside theft prevention suggestions by public security bodies. They even fail to report crimes. b) Some in charge of enterprises employ unsuitable people for the job, those who cotton up to others, or pull strings. They do not make thorough investigations. They turn over state property to the care of unreliable people, giving them exploitable opportunities. c) Institutions are weak and management is chaotic. Some have no regulations to abide by, others have regulations that they ignore.

4. Security leaks. a) Enterprises have weak security forces. Some even neglect their duties, sleeping and gambling on the job. The nighttime line of defense is but an empty shell. Some guards collaborate with outsiders, giving an open door to criminal elements. b) Security equipment is simple and crude. This is especially true at [type] four warehouses and some unsophisticated storage and materials yards. Some do not even have technological security equipment. c) Overall improvement measures have become mere formalities. There are calls to "capture them all," but public security bodies go it alone without "centralized management."

5. The issue of managing scrap and secondhand items. Some scrap and secondhand materials recovery departments, seeking a profit and indifferent to relevant state regulations, illegally sell [such materials]. This has become a main channel for the disposal of stolen goods by criminal elements. In particular, some illegal individual households get stolen goods everywhere. They even pay cash in advance, provoking and inducing crimes. Around a certain heavy machinery plant there are 36 large and small purchasers of scrap materials that specialize in buying industrial production goods and materials.

#### C. Countermeasures To Prevent Employee Theft

1. Truly implement a system whereby "whoever is in charge is responsible." Set up a network in which the masses are involved in crime prevention and reporting. Vigorously promote a contract responsibility system for public security bodies, and put them in party and government posts in charge of enterprises. During their appointment period, their goals in managing the responsibility system are to integrate the personal responsibilities of each worker, directly link political honors with economic interests, and make this really effective in factories, warehouses, workshop sections, groups, and individuals.

2. Enhance defense forces and nighttime work. Establish a backbone multilateral defense network led by public security bodies and patrolled by police, factory security forces, worker and public security patrol parties, and night watchmen. Firmly support a "tri-level" on- and off-duty system. Arrange for joint public security defenses and begin nighttime patrols.

3. Actively deploy forces in locations where property is stored, crimes are easy to commit, and around theft suspects. Take the lead in security. Take the initiative in the battle "to fight theft."

4. Reinforce security equipment, vigorously promote technological deterrents. The [type] four warehouses all should install permanent security equipment and reach the security goal of forging a single weapon. Temporary warehouses and materials yards should install barbed wire, reinforce surrounding walls, or install needed security cabinets. At the same time, they must actively install security equipment using technology and improve security efficacy.

5. Strictly manage personnel, property, and materials. Remove hidden perils and leaks. Reinforce systems for investigating and checking on personnel in charge of property. "Examine them first, then employ them. No employment without a background check." When personnel are discovered to be unfit, they must be staunchly dismissed to remove internal troubles.

6. Enhance ideological and political work. Help those who lag behind to transform. Party and government leaders of enterprises must enhance the ideological, moral, disciplinary, and legal training of employees; make them have correct outlooks on life; have more respect for the law; and voluntarily fight against employee crime. Earnestly use assistance groups and measures to help employees who lag behind. Through example, persuade those who have erred and rescue them.

7. Streamline old materials industries and block channels for disposing of stolen goods. We must punish according to the law those who buy and sell stolen goods or instigate or lure others to steal.

#### Psychology of Female Prostitutes Explored

90CM0264A *Shanghai SHEHUI [SOCIETY] in Chinese* No 5, 20 May 90 pp 12-14

[Article by Ning Dong (1380 2630): "Deep in the Heart of a Prostitute"]

[Excerpt] [passage omitted] Prostitution has been despised since ancient times, but then, why do some women engage in prostitution? Not long ago the author did some investigations in the women's reformatories in Chengdu and Deyang and seemingly caught a glimpse of some of the things such women keep deep in their hearts.

Among the prostitutes at the reformatories were not only young girls and young married women, but also middle-aged peasant women not the least good-looking; if there were educated and knowledgeable junior and senior high school girls, there were also grade-schoolers barely able to read, as well as total illiterates. There were state cadres, workers, peasants, as well as society's jobless. Prostitutes do not only frequent the high-class luxury dance halls and hotels, but also appear on street corners

and along country lanes. The fees they charge range from the high 10's to over 100 yuan per trick down to the low end of 50 cents per trick. It seems that there are no restrictions on becoming a prostitute, one only has to want to do it. In my investigations I discovered that the peak age among the prostitutes was about 17 years old. There are two reasons for this. The first is that girls of this age bracket are naive, inexperienced, and drift easily onto the wrong paths. For instance, 18-year-old Miss Yang XX was 15 in 1984 when, to take the place of her mother who had passed away, she began work in a certain beauty parlor. She did not take her work seriously, spent her days in idle wanderings, had her father fulfill her work quota for her. During her second year there, she met up with some bad men and so began her career as a prostitute, accompanying her customers to Zhengzhou, Handan, Qinghai, Xian. She did not consider prostitution a disgrace, but rather a transaction by mutual consent. She said that her customers were very loyal to her and bought her anything she wanted. The second reason is that they have very little experience in society, and the chances of getting caught are high. It is commonly said that prostitutes must be caught in the act and be receiving money for it. However, many of the young girls in the reformatories said that they had been taken in after confessing their misdeeds on their own. For instance, 22-year-old Che XX and 23-year-old Duan XX both said they had gotten into an argument and were taken off to the police station for disturbing the peace. Under the influence of the "leniency for confessions, strict punishment for refusal to confess" they admitted their crime of prostitution. They felt they had been tricked. They knew that some more experienced prostitutes led a happy-go-lucky life, while they had confessed their misdeeds but still had been sent to the reformatory. There were many who complained for the same reason.

There is yet another major reason why many women fall from grace. That is they have bad habits of being fond of eating and averse to work and being afraid of difficulties and fatigue. For instance, 17-year-old Miss Zhang XX was an orphan living with her uncle; the uncle's family treated her quite well. When she was 16 they found her temporary work in a brick factory. She complained that the work was too hard and quit. They found a babysitting job for her and she said she did not know how to do it. She said that prostitution was quite nice, for one trick could bring in 20-30 yuan, which she immediately spent: during two years of prostitution she did not save a penny. Miss Duan XX, 23 years old, said that after she graduated from junior high school, she worked as a telegrapher in a railway station; the work was easy, but the first time she turned a trick she got 50 yuan, and thought that was easy money, much better than regular work.

The author discovered that of the 139 prostitutes, only one had been a virgin the first time, and she was not typical. She was already 38 years old, ugly to begin with, and slow-witted besides. She had had an infantile uterine disease and thought that would make her unfit for

marriage. She heard that sexual relations might be a cure, but did not dare approach any of the local men, fearing that if she got an unsavory reputation she would never be able to marry. For these reasons, when she came to Chengdu to make some purchases, she deliberately left the door to her hotel room ajar, get a little drunk, and lay on the bed to entice a man in. Perhaps it may be said that, if they have not been forced or tricked into prostitution, most women, especially the unmarried who have not already lost their virginity, normally do not consider this shameful line of work. The reason is quite simple. If they have not yet had sexual intercourse with a man, they cannot clearly know the needs men have of women. These young girls all acknowledged that when they were in love they had sex with their boyfriends. Among these prostitutes, some started talking about being in love at age 11, had boyfriends when they were in primary school, and all had had sexual relations. Since sexual relations are so casual, it is not at all that difficult to wander onto the road of prostitution. As far as they are concerned it is a question of making money or not, or perhaps they feel that they were too stupid in the beginning, and were taken advantage of by their men for nothing.

Because of the above situations, prostitutes' sense of good and evil, of honor and dishonor, is quite different from that of most people.

They cheat, deceive, swindle, lie, and have no sense of responsibility. For instance, 32-year-old Chen XX, a worker, was married to a military man on active duty, went so far as to totally disregard her husband who was fighting in the front lines and her young daughter, and engaged in prostitution. They have no sympathy for others. For instance, Liu XX, a 21-year-old worker in a certain Chengdu plant, although already married herself, was fond of seeking out married men and fomenting discord in their families: The more their families were disrupted because of her, the more she enjoyed it. They love leisure and hate work; even if they have a job, they do not go to work. In the daytime they sit in the tea houses or go to restaurants; in the evenings they go to the dance halls, living a life of wanton extravagance. They also have no sense of shame. The author saw this with his own eyes in the Deyang Women's Reformatory. The women had just sat down to study when one woman stood up and started walking out. When an instructor asked her what she was doing, she said shamelessly, in a loud voice, "My .... itches." And all the prostitutes in the room broke out in loud laughter.

From another aspect, prostitution abets their degeneration. Prostitutes live on the dark side of society. Yet their customers come from all strata of society, are of every conceivable type and kind, especially those who are normally held in high repute such as old cadres, party members, People's Liberation Army men, intellectuals. The moment these people become the customers of prostitutes, all ideas of human righteousness and honesty, to which they are already personally indifferent, are totally annihilated. These frequenters of prostitutes may

pose as persons of high moral standards in normal circumstances, wearing the face of honest men of honor, but when associating with these prostitutes living on the dark side of society they have no need for false pretenses, and any shameless, repulsive behavior can take place with them without scruples. Liu XX, a 42-year-old peasant met up with a purchasing agent in a railway station, and they agreed upon her price of 50 cents. After they were done, not only did he not pay her, he started cursing her as shameless baggage. These women also saw that some prostitutes who become involved with highly placed and powerful men are protected by them wherever they go, and accumulate savings of thousands of yuan. It is these situations that cause them to think that they have seen the reality of life, that all men are evil, and that everyone cheats as well as uses everyone else—so what is a little prostitution?

It became evident to this author that, although the women in the reformatories had set times for work and for study, it was only when they were gathered together in one room that would they exchange their true personal thoughts and feelings. They talked about the shamelessness of their customers, talked about the hypocrisy of men, exchanged their feelings about prostitution, and summed up the lessons they learned from being caught. These exchanges completely offset the positive results produced by their labor and their studies. This perhaps is one of the reasons why the number of released prostitutes who are rehabilitated is so low, and that of those who turn for the worse is so high.

Engaging in prostitution creates this sort of world outlook: All men, regardless whether they are old or young, workers or peasants or officials, whether they are educated or uneducated, without exception believe that the greatest pleasure in life is to dally with women. Therefore, all males, although they may seem decent, are, in fact, all false-hearted. These prostitutes are women, and therefore can fulfill, or not fulfill every male desire and thus they become very important and indispensable people. Wherever they go, they have all seen this phenomenon: All men need women. As far as they are concerned, the entire world is nothing but a den of lechers, and the men lie in wait for them all the time and everywhere, and try every possible way—by lies, by force, or buying with money, or any sly trick—and exert every effort to possess them. This is their understanding of life. Thus, day by day, year by year they sink further into depths from which they cannot extricate themselves. [passage omitted]

#### Anticorruption Drive Intensifies

90CM0251A Hong Kong MING PAO in Chinese  
30 May 90 p 25

[Article by Wu Kangmin (0702 1660 3046): "Anticorruption Climate Starting To Appear"]

[Text] Signs of Forming Climate

Liang Guoqing [2733 0948 1987], the chief procurator of the Supreme People's Procuratorate, recently indicated that a climate amenable to an anticorruption drive has appeared in China.

Then where is the proof? Liang Guoqing did not explain in detail. However, he did say that in the first quarter of 1990 more than 24,400 corruption and bribery cases were heard nationwide, up 63 percent over the same period last year.

An increased number of criminal cases heard is probably the sign of the climate's appearance.

According to work reports of the procuratorate, in 1989 procuratorial organs nationwide heard 116,763 corruption and graft cases, said to be up 63 percent over the same period in 1988. This indicates that in the first quarter of 1989 fewer than 15,000 cases were heard, or only about one-eighth of the number of criminal cases for the year. That is to say, in the first quarter of 1989 few corruption and bribery cases were heard. The number of cases filed increased only after the "4 June disturbance" when the authorities made a decision to boost honesty in government. It was not until then that the workload of the Supreme People's Procuratorate stepped up. Because of the increase in cases filed, anticorruption activities received their due attention, indicating that the climate gradually was appearing.

#### Mammoth Concentration of Human Resources

There have been antigrant and anticorruption calls for many years. Quite a few years ago it was said that big and important cases would be investigated, but one always was left with the feeling that there was a lot of thunder but little rain. It appears that anticorruption activities stepped up after promulgation in 1989 of the "Decision Regarding Several Recent Matters Concerning the Masses" by the CPC Central Committee and the State Council. The courts and procuratorate published a "Notice That Criminal Elements Who Engage in Graft, Accept Bribes, or Speculate Must Frankly Confess Before the Deadline," and announced the establishment of the "leading group to rectify companies." According to a procuratorate notice, more than 36,000 grafters, bribers, and other criminal elements involved in economic crimes confessed within the two-and-a-half month deadline to surrender. In the process of rectifying companies, [the group] handled nearly 92,000 illegal violations, of which, more than 17,700 were major cases.

It seems that the work of the leading group to rectify the nation's companies penetrates rather deeply, because the group is led by Tian Jiyun, Politburo member and vice premier. The deputy directors are Zou Jiahua, State Council member and chairman of the Planning Commission; and secretary of the State Council Luo Gan. Members include responsible persons from the Supervisory Commission, the Auditing Administration, personnel departments, the Ministry of Foreign Economic Relations and Trade, and other departments. It is a mammoth concentration of human resources. Even if it only

is a small group it will lead nearly 100,000 cadres nationwide in this task and take it to the grassroots level, thereby overcoming the former problem of separating central and national organizations from local departments.

### Soul-Stirring Events

The cleaning work uncovered a lot of soul-stirring corruption, bribery, and acts against law and order:

A certain company in Shenzhen affiliated with the Ministries of the Machine Building Industry and the Electronics Industry borrowed 40 million renminbi and more than \$9 million from the state. Business was bad, and losses were serious. They wantonly and freely spent public funds. There was one small car per 1.5 persons out of a total of 30 people in the company. All cadres at the department-manager level or higher had their own cars. Although formed only 21 months ago, more than 4.5 million yuan was spent on administrative expenses. Individuals used up or defaulted on 8.8 million yuan of public funds. Feng Yongqiang [1409 3057 1730], general manager of the firm, spent 44 days and 130,000 yuan in public funds at the Yinhu Tourist Center while recovering from an illness.

Li Dachang [2621 1129 2490], manager of the Fuli Company affiliated with the China National Offshore Oil Corporation, and the deputy manager, Zheng Xun [6774 3169], with the backing of their superiors, used official seals to speculate and defraud. Their illegal gains amounted to more than 20 million yuan. In the course of its work, the small group discovered that the two of them took along the huge sum of more than 2 million [yuan] when they fled the country.

Yao Xuecong [1202 1331 5115], general manager (a deputy office-level cadre), and Wang Zhiqiang [3769 3796 3068], deputy manager, together with a foreign business partner of a certain company in Hong Kong affiliated with the head office of the China Export Commodity Base Construction Corporation under the Ministry of Economics and Trade lost more than \$17 million buying and selling gold and foreign exchange. Another \$19 million-plus in foreign exchange is unaccounted for. Yao has been captured.

A certain company under the Guizhou Aerotechnology Industry Company affiliated with the Ministry of Astronautics Industry employed some bad people, one of whom, named He Jianchuan [0149 1696 1557], used blank checks to embezzle 3.4 million yuan. He fled to live in Belize, Central America. Another, named Wu Shaoting [0702 4801 1656], employed for four months, came to do a little business. He was on the take and ran through more than 1.6 million [yuan].

### Rectifying Companies

The rectification group also went after what have been called China's big five firms. The party Central Committee and State Council decided to dissolve the two big

firms of Kanghua and Gongshang and to merge the China Rural Trust and Investment Company into the National Agricultural Investment Company. Thus, of the "big five," only "Guangda" and "Zhong Xin" [China Trust] are left. These two are also being rectified. Zhong Xin has cancelled one wholly-owned subsidiary. Some 43 provincial-level leading cadres previously working for the company have been stripped of their directorship appointments. The general managers of Guangda and Zhong Xin have both been replaced. After being audited, the five companies paid penalties and back taxes of 51 million [yuan]. The sums have been paid in full.

The group in charge of rectifying companies reported that as of the end of 1988 there were almost 300,000 kinds and levels of companies nationwide, more than 100,000 of which were set up since the "company fever" of late 1986. Through the end of February, more than 70,000 were dismantled or merged through rectification.

At firms of all kinds, there are more than 52,000 employees and cadres with joint appointments who are on the job or retired. This includes 132 central government-level cadres and 391 office-level cadres.

By the end of February, more than 49,000 of the aforementioned cadres resigned from their positions. This is 96.4 percent of the total number of cadres.

### Handling of High-Level Cadres

From the above-mentioned situation, it appears that there was more anticorruption work done in the past year than in many previous years, particularly in the area of rectifying companies. Because the problem of "fallen officials" has been an important source of corruption in recent years, better cleaning and rectifying, dismantling what should be dismantled, merging what should be merged, and correcting the situation in which administrative cadres are both officials and businessmen really are methods for rectification work.

As for whether the anticorruption drive will dare to "bury their hands" in going after high-level cadres, this is an issue the broad masses are particularly interested in. According to a report by Wei Jianxing [1414 1696 5887], minister of the Ministry of Supervision, supervisory organs in 1989 heard cases involving 155 cadres at the provincial level.

The Ministry of Supervision takes a solemn and cautious attitude when examining these high-level cadres. Some 83 people have been put on record. Seven have been singled out and punished: For example, Liang Xiang [2733 3276], governor of Hainan Province, and Lin Zuyi [2651 4371 0044], deputy minister, Ministry of Communications, sought to use their power for private gain. Tuohuti-Shabier [2094 0039 2251 3097 3024 1422], vice chairman, Xinjiang [Uygur] Autonomous Region; and Luo Yunguang [5012 0061 0342], vice minister, Ministry of Railways, accepted bribes. Song Ruixiang [1345

3843 4382] and Ma Yuanbiao [7456 0337 1753], governor and deputy governor of Qinghai Province, respectively, mined and lost gold in the Hoh Xil region due to bureaucratism. All have already been or soon will be penalized.

#### Jiang Zemin Discusses Three "Absolutes"

Of course, the present appearance of a climate amenable to anticorruption does not mean a major victory is on the horizon. Jiang Zemin, general secretary of the CPC, has looked at this problem. After reading a report by the Ministry of Supervision at the end of 1989, he said, "It absolutely cannot be wrong for supervisory organs to take anticorruption work as a rather long-term present and future measure. The anticorruption drive absolutely cannot stop. We in the Standing Committee of the central government absolutely support you."

So, saying that a climate has appeared refers to an atmosphere, a momentum. At least it functions as a threat to give misgivings to those who are corrupt, accept bribes, or to other criminal elements. It stops the spread of corruption. Nevertheless, major victories in the drive cannot be won in a year or two given China's size and the deep-rootedness of corruption. The people naturally have the right to expect that an age of clean, healthy government will soon arrive, but they also must see that this is a long-term, arduous task. No matter what, the people certainly will energetically support it provided that healthy government can be sustained without recurrent attacks such that once the drive is over corruption goes on as usual.

I would say that estimates saying that the climate for an anticorruption drive has appeared are too high. It is more in line with the truth to say that there is starting to be a climate amenable to an anticorruption drive.

#### Mainland Youth—Lost Generation?

90P30062A Hong Kong MING PAO YUEKAN [MING PAO MONTHLY] in Chinese No 294, Jun 90 pp 15-16

[Article by Huang Pu (7806 2528): "Where Are the Youth of the Mainland Headed?"]

[Text] At a time when the "Everyone Emulate Lei Feng" movement was again being launched on the mainland, the authorities set up another "youthful hero" as a model for the young people to emulate. This is Lai Ning, who had the misfortune of perishing at age 14. Lai Ning lost his life while bravely fighting a fire on a mountain in Shimian County, Sichuan Province, in March 1988. At a time when Lei Feng is totally incapable of eliciting any interest, the authorities undoubtedly hope that Lai Ning can become a new idol for China's youth and spark in them the spirit of utter devotion to the party. Not long ago Beijing mayor Chen Xitong and municipal committee secretary Li Ximing wrote inscriptions on this topic, urging the primary and high school students to emulate Lai Ning.

In reality, the state of mind of Chinese teenagers is totally contrary to what the officials demand. Their thinking, perspectives, aspirations, and even credos of life are completely different from that of the youth of 30 years ago. Their interest in Lei Feng and Lai Ning is nowhere near their level of interest in mahjong, disco, or the TOEFL [Test of English as a Foreign Language]. For them the attraction of heroes is not nearly as strong as the attraction of money.

#### Play in Style, in Step With Trends

When one meets mainland high school students, one finds that their greatest desire is not to study hard, but to play hard, and to play in grand style, in step with the latest trends.

In a first-year class at a senior high school in Nanjing, of the 232 students, some 63 percent owned high-grade clothing, woolen sweaters; 45 percent of the female students used high-grade cosmetics and regularly had beauty parlor appointments. One of the sporting goods stores in that city commonly sells 30 pairs of Nike sport shoes per day, 25 sets of Adidas sports clothes, and 10 sets of golf attire. And all of this is sold primarily to students.

In the spring of 1989 a "Transformer Warrior" craze hit Beijing. Over 90 percent of the "victims" of the "warriors" were the parents of primary school students. They had to bear the cost of spending tens or even over a hundred yuan to buy these newly popular toys for their children. The children's toy store on Wangfujing sold out of a railway boxcar full of these transformers in four days, and reaped a profit of more than a million yuan.

On Sundays, when high school students meet their friends to take pleasure jaunts, they take pictures using Kodak film, which runs 18 yuan per roll. Despite the fact that this brand of film costs four to five times the price of film made in China, they unhesitatingly shell out the money to buy it. Is this because they are enamored of foreign things, or just to show their extravagance?

In the eyes of Hong Kong people, such expenditures are negligible. However, if we are aware that the parents of these big spenders are all in the 100-200 yuan per month wage bracket, then we cannot help but be flabbergasted at the spendthrift actions of these young people.

#### Added Burdens for Parents

Primary and high school students, in their social entertaining and exchanging of gifts, are becoming more extravagant with each passing day. One female student living near Jingan Si temple had a birthday party in her home when she turned 16. Her fellow students brought her all sorts of presents—cosmetics, a doll that could blink its eyes, fresh roses, etc.—which were not all that expensive, but considering that they came from students who have no income, without a doubt they represented a considerable outlay.

When another second-year senior high school student had his birthday, he invited more than 20 of his fellow students to dinner in a restaurant at a cost of more than 160 yuan. Another student, whose family was not rich, saved his money penny by nickel by dime until he had enough to invite all of his female classmates to go skating with him. These types of expenditures are sometimes difficult to understand, but perhaps are ways by which the students achieve a sense of psychological satisfaction.

Changes in social attitudes have far-reaching effects on teenagers. "In food you are particular about nutrition; in clothing you are fastidious about style; in making friends you go in for ostentation and extravagance; in travels you strive for extensiveness." These are the goals the students are sedulously seeking.

According to a survey done in a certain school in Shanghai, some 89 percent of the students purchased chewing gum, yogurt, chocolate, and other snack foods on a daily basis; it is not that the remaining 11 percent did not want to buy, but that they had no money. In the big cities like Beijing, Shanghai, and Tianjin, spending their after-school hours in the discos, coffee houses, or karaoke bars and using their vacations to travel have become common activities for a great many high school and college students. For a great many parents, this represents an additional heavy burden.

In Shanghai, an average of one-tenth of a family's income goes into the hands of the children in primary or high school; still, this is a conservative estimate. According to a survey conducted in six Shanghai schools on the students' use of pocket money, 30 percent of the students went through over 10 yuan of spending money per month; for the remaining 70 percent, their monthly spending was over 20 yuan, with the highest being over 60 yuan. This represents one-fifth of the monthly income of a "two-wage earner" family where both parents work.

#### Remarkable Increase in Teenage Crime

This being the case, most parents cannot fulfill all of their children's desires, and some of the teenagers "find a way" themselves to get money. But the "way" in most cases, is an illegal one.

In both Shanghai and Beijing there have appeared instances of children gambling. In Shanghai the mahjongg craze is particularly serious. A study carried out in a suburban Shanghai junior high school and a primary school reveals that amid the students between 9 and 16 years of age, over 70 percent play mahjong; those who play regularly, 33 percent; those who play for money when they play, 25 percent.

Another phenomenon which has appeared is usurious loans among high school students. Because spending money is the fad, the students who have no money do not want to be left out and must resort to borrowing money from their classmates. In making loans, both parties discuss the term of repayment: Within the term of the loan, interest is very low or none is exacted, depending upon the

relationship of the parties involved. However, if the term is exceeded, then interest of 50 cents per day per 10 yuan is levied; after 20 days the loan principal becomes 20 yuan. Of the 21 male students in a Shanghai vocational high school class, 12 had made high-interest loans to their classmates.

Even more serious than this is the direct involvement of young people in criminal activities, with the aim of acquiring wealth. The ratio of crimes committed by juveniles has risen steadily in all areas in recent years, with the increase in the crime rate among primary and high school students being most noticeable. In the first eight months of 1989, 929 primary and high school students were arrested for criminal acts, a 7.5-percent increase over the same period of 1988. In addition, high school students receiving sentences constituted 3.7 percent of all criminals convicted. Most of the crimes were theft-related.

What may be the ultimate example is the con job perpetrated by a 15-year-old Hunan youth. With brilliant resourcefulness he fabricated the story that he had received "first prize in the United Nations Asian-Pacific Basin Regional Youth Popular Science Essay Contest." Using a "letter," a "notification," and a "prize certificate" that he himself fabricated, he managed to fool the administrators of the educational committee of the Chenzhou High School No. 1, which he was attending, the Chenzhou Prefecture Education Commission, and the Hunan provincial committee. Over a dozen news organizations reported the news of his "receiving the prize." He successfully duped people for money and for glory. After the fraud was revealed, a great many people thought if this juvenile delinquent Long Jingui had used his intelligence to do the right thing, he could have made a real contribution to society.

#### How To Solve the Problem?

Faced with the growing seriousness of the juvenile problem, the PRC authorities are intensifying ideological control in order to ensure that the "socialist successors" do not fall captive to "capitalism." However, slogans like "emulate the heroes," and "arduous struggle and plain living," and "cherish a deep love for the fatherland" have probably lost their effectiveness on youngsters who have had their eyes opened by 10 years of reform. They have their own goals and aspirations.

It has been ordered that newly matriculating students in the prestigious universities like Beijing, Fudan, and Nanjing University, must undergo military training. As a result, high school students are avoiding the entrance exams for these universities. The State Education Commission stipulates that college graduates must be employed for five years before they can apply for study abroad. Thus, senior high school students in Beijing and Shanghai would much rather not attend college in China, and try to get out of the country while still in high school.

Controlling people is like controlling water: Unrelenting, blind "damming" and "cutting off" is never a wise policy. "Let it flow, but guide it" is the only good policy that will solve China's problems with the "future masters."

**Military Situation on Both Sides of Taiwan Strait****Armed Takeover of Taiwan**

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[Article by Chin Chien-li (6855 0578 6849): "Communist Military Deployment for an Armed Takeover of Taiwan"]

[Text] Editor's Note: According to recent news reports, a tense situation has emerged in the Taiwan Strait: The communists reinforced their coastal military forces, conducted military maneuvers, and deployed a new type of fighter; while Taiwan strengthened its coastal defenses and kept a watchful eye on the situation. The question of whether or not the communists will take military action against Taiwan is again being scrutinized. This article is a report on the recent communist military trends and developments and an analysis of the communist military deployment for a possible attempt to invade Taiwan. [end editor's note]

We will have to realistically face the incisive question concerning the Taiwan Strait situation in the 1990's: Will the communists venture a military action in the Taiwan Strait? How strong will their military power be? In the event of this unfortunate change of situation, when will it happen? And what kind of military operation will the communists take?

Due to recent drastic international political changes, the internal crisis, and the imminent demise of the "eight old top leaders," will the communists put up a last-ditch struggle in the throes of death to invade Taiwan by force in the name of uniting the nation? This is a question worth pondering. In the next five to seven years, I believe, the dangerous situation in the Taiwan Sea will peak.

**Promoting Liu Huaqing and Constructing an Aircraft Carrier**

In conducting their Taiwan policy, the communists have consistently adopted the dual tactics of either "holding out an olive branch" to talk peace or resorting to force. During the 40 years of confrontation in the Taiwan Sea, the communists have felt uneasy "even when eating and sleeping" and have resorted to all sorts of tricks in the so-called "united front" movement, but they have failed to succeed.

As we enter the 1990's, the communists are seemingly going to take some kind of action and are surreptitiously preparing for it in earnest. The new and fairly obvious indication of this preparation is the enhanced naval construction; whether or not this enhanced naval construction has anything to do with the situation in the Taiwan Sea is worth watching carefully.

First, why did the communists promote Liu Huaqing so suddenly? Liu is one of the few Red Army commanders who studied naval affairs in the Soviet Union. He

received the naval rank of temporary rear admiral in 1950's and was promoted to admiral in the 1980's and has become one of the 17 top-ranking military officers (general in the army or admiral in the navy) since the promulgation of the new military rank system in 1988. Although he is quite old, he is highly experienced in naval affairs, has toured foreign nations on many occasions, and is well versed in Soviet and Western nations' naval affairs. The decision to promote Liu by Deng, Yang, and others among the "eight old top leaders" must have something to do with solving the Taiwan problem. Another decisive factor in Liu Huaqing's being elected to become the navy's leader was that Liu started his military career in the "Second Field Army," in which Deng served as the political commissar.

Second, the communist decision to construct an aircraft carrier was one of Liu's major decisions when he was promoted. This decision can be considered the victory of the navy's power-block faction. The proposal to construct an aircraft carrier was overruled two years ago, and the regime decided to buy an old aircraft carrier from Australia; presently however, even Li Peng has agreed to have a new aircraft carrier constructed. According to one report, the construction of a new aircraft carrier is a major item in their next five-year plan; the project will be started in 1990 with a budget of 2.6 billion RMB (or about \$500 million). The projected carrier will be a 20,000 ton-class light aircraft carrier which can accommodate 25 warplanes. It will be built jointly by the Dalian and Jiangnan shipyards.

According to a "New China News Agency" report, communist military expenditures will increase drastically in 1990. Although their new military budget has not been published yet, it is believed to be much higher than their last year's budget of 24.5 billion, and it is estimated that the 1990 military budget will be more than 30 billion, including 2.6 billion earmarked for constructing the aircraft carrier.

At the same time, the communist navy decided to modify their "Luda-class" warships by converting the forward gun turret into a platform to accommodate two helicopters to strengthen the warships' mobile attack power and antisubmarine capability. Up to now, the communist navy has successfully modified two of their "Luda-class" guided missile destroyers. The "Luda-class" destroyers are the mainstay of the communist naval fleet; these destroyers have long cruising range: some of them visited Pakistan and other nations in South Asia. While the aircraft carrier is being constructed, the communist navy has decided to train 12 carefully selected "young field grade officers" to fly carrier based aircraft at the "Guangzhou Naval Academy" to be qualified as all-round aircraft carrier commanders.

**Organizing Special Task Force and Speeding Up Warplane Production**

The communist navy organized a "special task force" to strengthen their sea patrol; this task force was composed

of one each "Luda-class" and "Jianghu-class" warship, one "035" submarine, and one supply ship. The objective of having the special sea patrol task force is to provide rotational training for their naval personnel and to give them combat experience.

Furthermore, the communists have decided to enlarge their air base in the Xisha Islands [Paracel Islands]. The air base is located on Yongxing Island and was designed to serve helicopters only. Upon enlargement, the existing air base will accommodate naval aircraft. The communist defense in the Nansha Islands [Spratly Islands] is being reinforced, and they are working on other engineering projects on several islets in the group.

Another project to strengthen their naval force has been to convert their obsolete gunboats, minesweepers, transports, etc., into fishing boats or ships by repainting, adding fishing equipment, and installing radar and radio intercepting equipment. When these converted fishing boats or ships join their fishing fleets, they can serve as very effective spy ships. The conversion does not involve removing the old warships' armament: They are just covered with canvas or otherwise camouflaged. These converted fishing boats with good combat strength are key elements of the communist people's armed forces at sea and are both numerous and powerful. The converted naval vessels are usually in the range of 300 to 500 tons and are much larger than ordinary fishing boats. If accompanied by a supply ship, they could sail as far as the Nansha Islands area to engage in clandestine activities such as intercepting other nations' encrypted naval telecommunications.

Using converted old naval vessels for both civil and military purposes complies with the communist national defense strategy of involving all the people. According to fishermen from Zhanjiang and the communist Sanya Naval Base area, the communist South Sea Fleet has more than 20 converted fishing boats stationed in the two areas. These converted fishing boats are controlled directly by the fleet headquarters and the ordnance factory of the fleet, but neither the officers nor the enlisted men on board are in uniform.

Many of the aforementioned converted fishing boats or ships in other fleets are stationed at their naval bases in the East China Sea (at Zhoushan, Wenzhou, Mawei, and Xiamen). Obviously, they plan to use these armed fishing vessels against the naval vessels of South Korea, Japan, and Taiwan.

Production of the new communist "F-8 II" fighter plane has been sped up in the last three years. They have installed the advanced navigational radar and other electronic equipment imported from America and the United Kingdom on this new fighter. The operational performance of this plane is far superior to that of Taiwan's fighters. The Taiwanese-manufactured

"Ching-kuo" [IDF—Indigenous Defense Fighter] fighter plane may not be better than the communist "F-8 II."

Change in the communist group armies has primarily led to an emphasis on rapid reaction, combined forces training, exercises, and high mobility combat strength. Group Army paratroop battalions and helicopter daduis have been reinforced, and the group armies have emphasized training of jamming units, electronics battalions, camouflage regiments, etc.

#### Studying and Drawing Up Operations Plans in the Last Five Years

An armed invasion of Taiwan will be extremely difficult to carry out regardless of what form, strategy, and tactics the communists employ. The invasion could very well involve the United States, Japan, and nations in Southeast Asia as well as cause other international complications. Traditionally, the communists do not fight a war if they are not sure of winning. In the event they decide to invade Taiwan, they clearly need more than three years to prepare for the operation. A future war in the Taiwan Sea will be a three dimensional campaign on sea, land, and in the air; both sides will muster their best forces and most advanced weaponry, carefully calculate, and prepare and assemble ample supplies and logistics support. In the case of using armed fishing vessels in a sea battle, sufficient supplies of fuels, provisions, and ammunitions must be well prepared in advance.

According to a reliable source, the communist navy has submitted approximately 1,000 Taiwan invasion operations plans to the General Staff and the Central Military Commission. The communist Air Force, Army, and General Logistics Department have planned their own courses of action. Evidently, the communists have not been lax in their efforts in studying and drafting plans in the last five years for a Taiwan invasion operation.

By studying the situation and evaluating the known facts, we believe the communists have made preparations and planned secretly for small anti-Taiwan operations such as sending out an armed fishing fleet with converted old naval vessels among the armed fishing boats and smuggling illegal labor, weapons, and ammunitions into Taiwan for the purpose of creating chaos and disturbances at an opportune moment. In addition, the communist naval arsenal has stepped up the production of improved mines to be used to blockade Taiwan in the future, and combat training for their navy's marines and frogmen has been intensified; both of the groups have been dispatched to the Xisha and Nansha Islands to be rotationally trained under actual combat conditions. The communist marine base is located at Zhanjiang.

If the communists are determined to set up an armed blockade against Taiwan and to force Taiwan to surrender, they have to get well prepared in the first three years of the 1990's.

**The Commanders and Military Expenditures on Both Sides of Taiwan Strait**

Comparison of military commanders on both sides (1990):

On the communist side [Note: the Central Military Commission—Chairman Jiang Zemin, First Vice Chairman Yang Shangkun, and Vice Chairman Liu Huaqing]: The minister of national defense is General Qin Jiwei, born circa 1915, domicile Hubei [3275 0554]. The chief of general staff is General Chi Haotian, born circa 1929, domicile Shandong. The director of General Political Department is General Yang Baibing, also concurrently serving as secretary general of the Military Commission, born circa 1920, domicile Sichuan. The director of General Logistics Department is General Zhao Nanqi, born 1926, domicile Jilin. The Navy commander is Vice-Admiral Zhang Lianzhong, born circa 1931. The Air Force commander is General Wang Hai, born circa 1926, domicile Shandong. The Second Artillery Corps commander is Lt. General Li Xuge [no other bio data].

**On the Taiwan Side:**

The minister of national defense is General Hao Paitsun [9327 2672 2625]. The chief of general staff is General Chen Hsin-ling [7115 8590 7881]. The director of Political Warfare is Huang Chia-chin [7806 1367 3866]. The commander of the Combined Service Forces is General Wen Ha-hsiung [3306 0761 3574]. The commanding general of the Army is Lt. General Huang Hsing-ch'iang [7806 1630 1730] (there is no such position on the communist side). The Navy commander is Admiral Yeh Ch'ang-t'ung [5509 2490 2717]. The Air Force commander is Lt. General Lin Wen-li [2651 2429 4409].

If and when a war breaks out in the Taiwan Sea, the above-mentioned military leaders would play pivotal roles. Even if they retire because of age, they will be still influential in military affairs.

**The comparison of military expenditures:**

On the communist side—Total military expenditure in 1989 was 24.5 billion RMB (approximately \$6 billion). Their 1990 military expenditure probably will increase substantially and is estimated to be about 30 billion RMB, including the 2.6 billion RMB for the construction of a 20,000-ton aircraft carrier.

On the Taiwan side—Total military expenditure in 1989 was NT\$191.4 billion [New Taiwan dollars] (approximately \$9 billion) or 33.7 percent of their total national budget. Their 1990 military expenditure probably will also increase substantially and is estimated to be about NT\$230 billion, including NT\$10 billion for new warships. If the training expenditures of the Vocational Assistance Commission for Retired Servicemen and military academies and schools were included, their total military expenditure would reach NT\$320 billion, or

more than one and half times the communist military expenditure. We can see that the Taiwan Government has resolved to improve its defenses.

**Comparison of the Two Sides' Military Strength and Armament****On the Communist Side:**

The communists have the control of seven large military regions with a total force of 3,200,000 troops and another two million in reserve.

The army has 23 group armies with a total strength of 1,700,000 men and women.

The navy has three fleets and the navy aviation corps, with a total strength of 320,000 men and women.

The air force has eight air armies with a total strength of 380,000 men and women. They have the following military hardware—about 5,000 warplanes, including the "F-7," "F-7 II," "F-7M," "F-8," "F-8 II," "F-8M," "A-5," "A-5M," "B-6," "B-6J," "B-7," "Z-8," and "Z-9." They also have the "FL-," "PL-," and "SY-A—"series air-to-air guided missiles and the "HQ-2-," "HQ-3-," and "HQ-4—" series ground-to-air guided missiles.

The second artillery corps is the strategic guided missile force; the force commands five brigades, three launch bases, and a scientific research institute with a total strength of 150,000 men and women. Its "Guangde" Base in Anhui Province is closest to the Taiwan Sea area and is equipped with "CZ-2," "CZ-3," "CZ-4," "DF-4," "DF-5," and "FB-1" missiles; their ranges are 7,000 to 13,000 km.

The communist navy has 1,900 combat vessels with a total standard displacement of 600,000 tons, including 14 "Luda-class" 3,400 ton missile destroyers, their capital warships; 26 "Jiangdong-class" and "Jianghu-class" (totally enclosed type) missile escorts and frigates (each ship's displacement is between 1,400 and 1,700 tons); 5 "Han-class" and "Xia-class" nuclear submarines (the "Xia-class" is the communist navy's second generation nuclear submarine) equipped with 12 "Julang" missiles and about 90 "Romeo-class" ("Model 035") and "Xinwuhan-class" modified conventional submarines; 13 "Model 037" antisubmarine frigates; one "Fuqing-class" fuel and water supply ship, which has a length of 168 meters and 8,000 tons of displacement and is the newest operational supply ship to serve the communist navy's oceangoing fleet; a V856 training ship with a displacement of 5,000 tons; a J121 hospital ship with accommodations for helicopter landing, which accompanied the communist fleet to explore the Antarctic Circle; and a Yuanwang comprehensive oceanography research ship with a displacement of 20,000 tons, which is a first generation multiple service naval ship. The rest of their combat vessels are missile speedboats, landing ships, and gunships.

The communist army has the following types of main battle tanks and armored vehicles: "Models 79, 80, and 85" tanks and "Model 531" armored troop carriers. Their artillery has the following types of artillery pieces: "Models 155, 152, 130, 122, and 100" self-propelled

howitzers, cannons, gun-howitzers, and smooth-bore guns; and 30-tube rocket guns.

On the Taiwan Side:

The total strength of Taiwan's armed forces is 500,000 strong with a reserve force of 1,500,000.

Taiwan's army has a strength of 350,000, organized into 22 infantry divisions and four armored divisions.

Taiwan's navy has 70-80,000 men and 620 combat vessels with a total standard displacement of 160,000 tons, including 25 destroyers, their capital warships, most of which are equipped with Taiwanese-manufactured Hsiung-feng [7160 7364], T'ien-kung [1131 1712] or Ch'ing-feng [7230 6912] guided missiles and have displacements between 2,000 and 3,500 tons; 9 frigates and 15 corvettes of the 2,000-ton class; 4 submarines, among which are the two "Hai-lung-class" [3189 7893] submarines purchased from the Netherlands; 100 "Sui-chiang-class" [7151 3068], "Lung-ch'ang-class" [7127 2490], and "Hai-ou-class" [3189 7743] guided missile speedboats, but only 60 of them are in active service; 4 submarine chasers; 22 minesweepers; 28 large and medium landing ships; 40 landing craft; and 20 auxiliary naval vessels.

Not long ago, Taiwan tried to purchase several Lafayette-class frigates from France, but the deal didn't go through because the communists objected strongly. Presently, Taiwan is negotiating with Germany to purchase the "Model F-123" frigate, similar to the Lafayette-class, but with superior antisubmarine and antiaircraft capabilities. In the event this deal goes through, Taiwan's strength in naval defense will be greatly enhanced. In addition to the attempt to purchase modern warships from abroad, Taiwan has decided to construct their own "PFG-2" guided missile frigate; construction of the first guided missile frigate has started in Kaohsiung, and eight are planned. The "PFG-2" is a modified version of the U.S. Navy's "Perry-class" equipped with Taiwanese-manufactured "Hsiung-feng-2" guided missiles and carrying antisubmarine helicopters. Its combat strength will be comparable with the communist "Luda-class" warship. Because of the advanced radar science and technology in Taiwan and the shipbuilding technology imported from the United States, Taiwan's newly built warship surely will be better than the communist-built warships.

Taiwan's air force has a strength of 70,000 to 80,000 men and women and 560 fighters, including 250 F-5E and 50 F-104G fighters. The air force is the weakest link in the armed forces and cannot match the communist air force. However, its weakness in numbers can be compensated by better trained pilots and superior technology.

Taiwan's new fighter, the Ching-kuo "IDF," is manufactured in Taiwan. The plane's research cost alone reached \$1 billion. The capabilities of this plane are between those of the F-16 and F-20 in the U.S. Air Force and are

better than those of the communist "F-8 II" fighter. The first plane was successfully produced in 1988. Presently, Taiwan probably has one squadron of Ching-kuo "IDF" fighters in service.

In the last ten years, Taiwan has achieved great success in producing short and medium range guided missiles, such as models "Hsiung-feng-1," "Hsiung-feng-2," "Kung-feng [1562 5762 or 1562 7364]-1," "Kung-feng-4," "Ch'ing-feng [7230 7364]," "T'ien-chien [1131 0494]," "T'ien-kung [1131 1712]," and the newest model "T'ien-ma [1131 7456]" medium-range guided missile which has a range of 1,000 km and can carry a small nuclear warhead. Taiwan also has an antimissile weapons system: the "Ch'ang-pai [7022 4101]" guided missile is the newest weapon in their air defense system. The Ch'ang-pai weapons system consists of a phased array radar, a computer control system, and a fire control system. (This system is an equivalent of the U.S. "Aegis" guided missile system). Taiwan also possesses the E-2C, the most advanced U.S. aerial early-warning aircraft, and therefore the air defense in the Taiwan Sea is greatly enhanced.

The "Hsiung-feng," "T'ien-chien," and "T'ien-kung" guided missile series are superior multi-use weapons systems which can be used as air-to-air, air-to-ship, ship-to-ship, ground-to-ground, or ground-to-ship weapons. They are very mobile; however, their range is only about 100 km. These are defensive tactical missiles, Taiwan's principal weapons for defense. They are very effective in counterblockade operations and will be important deterrent forces should the communist navy and air force attempt to invade Taiwan.

**Strong and Weak Points on Both Sides, Beware of the Other Side's Surprise Moves**

The aforementioned comparison of military strength between the two sides clearly indicates that the communists hold the dominant position. Although Taiwan's military is weak in numbers, it is strong in quality; in particular, its antiair guided missile, ship-to-ship, and surface-to-ship guided missile systems are better than the communists'. During the last 10 years, Taiwan's electronic and communications science and technology have made rapid progress, and evidently, Taiwan will be superior in electronic warfare. Taiwan's warships, however, are getting too old and should be replaced as soon as possible.

Taiwan's military training for the armed forces is modern, efficient, and better than that of the communists. On the communist side, its military training is backwards; its specialized and technical training for each service cannot meet tactical requirements, and the co-ordinated operations capability of its three services is still in the primary stage. In comparing the level of prowess between the two sides in joint operations, the communist side is ten years behind the Taiwan side. The communist armed forces inherited a fatal weakness because they were developed from guerrilla bands. The guerrilla bands

"survived on millet and fought with rifles;" the modernization of its armed forces has been slow and the quality and educational level of its troops have been very low.

When Taiwan's former national defense minister, Cheng Wei-yuan [6774 3634 0337], left his post, he pointed out: "The present combat strength of our armed forces can successfully resist the invasion of 20 communist divisions, 200 warships, and 2,000 warplanes. In fact, the communists would have difficulties mustering such a large invasion force. Furthermore, the communist armed forces already have been taxed to the limit of their strength to defend their national borders. In the north, they are facing ten Soviet group armies; in the south on the Sino-Vietnamese border, they are facing three Vietnamese group armies; and at the same time, they have to have a large force posted at the Sino-Indian border."

Cheng Wei-yuan analyzed the situation between the communist and Taiwan sides and believes that as long as Deng Xiaoping is the leader on the communist side, Deng will observe the principle of "knowing the enemy and knowing yourself" and will not employ the conventional strategy to invade Taiwan. When Deng was serving in the communist Second Field Army with Liu (Bocheng), they avoided the conventional strategy of frontal attack and turned instead to the strategy of "running a risk to win a battle." During the civil war's "Shangdang [0006 7825] Campaign," "Dabieshan [1129 0446 1472] Offensive," "Ruhe [3067 3109] Crossing," "Huaihai [3232 3189] Campaign," etc., Deng and Liu defeated their enemies by surprise moves. In the event Deng decides to take military action against Taiwan, I believe he would not make the unwise decision of massing the communist air force, navy, and army to invade Taiwan without the assurance of success, but would employ the strategies of "defeating one's opponent by a surprise move" and "running a risk to win a battle."

In the event of military confrontation between the communists and Taiwan, the communists would enjoy a military superiority over Taiwan of 4 to 1 in the number of warships, 8 to 1 in warplanes, and 6 to 1 in troops, but the communists have the fatal weakness of failure in logistics support, supply, and replenishment.

There are two fragile and weak links in Taiwan's arms situation. First, in comparing numbers of warplanes between the two sides, Taiwan is in a disadvantageous position. Second, Taiwan's submarine and antisubmarine forces are not strong enough to cope with the communist submarine force. Taiwan's perimeter defense is also insufficient; in recent years, communist fishing boats have been able to penetrate Taiwan's coastal defense freely. This situation clearly indicates weakness in Taiwan's coast guard forces and inefficient harbor control by the inspection and surveillance services. The communist side must know very well the weaknesses on the Taiwan side; in taking military action, they will very likely strike where or when the enemy is weak or unprepared and defeat them with a surprise move. Several

decades ago in the civil war, the communists employed just this strategy to win their battles.

#### Taiwan's Arms Plan

Time is on Taiwan's side because the communist regime is declining like the sun setting on the horizon. With the powerful backing of economic strength to manage and strengthen its arms expansion and military power, Taiwan can establish a new and strong national defense foundation in about five years. By that time, it will be very hard for the communists to invade Taiwan. If the communists cannot realize their ambition of invading Taiwan by force or by means of blockade to force Taiwan to surrender between 1995 and 1997, they will never have another chance to invade Taiwan.

According to the planned research and development to be managed by the Chung-shan [0022 1472] Institute of Science and Technology (corresponds to the National Defense Science, Technology, and Industry Commission on the communist side), in the next 5-7 years Taiwan will be able to: speed up production of the "IDF" warplane; complete the "PFG-2" guided missile frigate-building project; complete construction of the "Nuclear Power Plant No. 4" (Taiwan already has three other nuclear power plants); and complete the plans for and the deployment of the "T'ien-ma" medium-range guided missiles, which are designed to neutralize major communist targets south of Yangtze River.

The "Nuclear Power Plant No. 4" is closely bound up with the "T'ien-ma" project. The Chung-shan Institute of Science and Technology no longer denies that Taiwan has mastered the high technology of making small-size nuclear warheads and can obtain raw materials for making nuclear weapons from the West, Soviet Union, or East Europe, etc. When the "Nuclear Power Plant No. 4" starts to produce, the situation of Taiwan's arms expansion will be "like a tiger that has grown wings." When Taiwan successfully makes nuclear warheads and has the T'ien-ma missiles outfitted with nuclear warheads, then Taiwan will not have to worry about the communist menace or its intimidation.

The new "IDF" (Ching-kuo) warplane is believed to be superior to the communist "F-8 II," the "F-9," or the "F-12" now being developed; however, the decisive factor is how many IDF warplanes Taiwan can produce annually. In order to gain control of the air and to break the communist air blockade, the Taiwan Air Force must have more planes.

The "PFG-2" guided missile frigate is a good match for the communist "Luda-class" and "Jianghu-class" warships; in the least, the electronics of the "PFG" are more advanced and the firepower and guided missiles are better than those on the communist warships.

If Taiwan can successfully fulfill its arms expansion plan, then its Taiwan Sea defense will be impregnable, and it will be extremely difficult for the communists to invade Taiwan by force.

Furthermore, Taiwan can utilize its huge foreign currency reserves to purchase advanced weaponry from the West and East Europe. Of course, U.S. military aid is still very important to Taiwan's defense; Taiwan's arms production would be greatly helped if the Americans can soften the terms in the agreement on military aid to Taiwan and supply Taiwan with sufficient spare parts for its advanced weaponry. This is so because the origin of the Taiwan's weapons systems is the United States of America. Being pressed for time, Taiwan must strive for a strong defense and successful indigenous arms production in the next five years in order to be in an invincible position.

#### Seven Kinds of Possible Military Action Against Taiwan

In conclusion, this article emphasizes the importance of probing into the possible forms of war (or kinds of military operations) that the communist side could employ to invade Taiwan. To search for an answer, we must first study the military thinking of Deng Xiaoping, Liu Huaqing, Yang Baibing, et al, members of the Central Military Commission. They are disciples of Liu Bocheng, not conventional in their military thinking and preferring to take risks and to defeat the enemy with a surprise move. The military maxim of Liu Bocheng and Deng Xiaoping has been "When two armies are in confrontation, the courageous one wins." Liu Huaqing and Yang Baibing have been followers of Liu and Deng for a long time and have learned well the strategy and tactics of their old superiors. Therefore, we can anticipate that the communists would take risks and be cunning in military action against Taiwan; they would like to pay a minimum price to force Taiwan to negotiate for peace.

**1. Submarine Blockade.** Because the communist side has a large fleet of submarines, including five nuclear and almost a hundred conventional submarines, they could employ the submarines to encircle Taiwan's major harbors to form an effective blockade and then, could launch a naval offensive with their surface warships and naval aviation corps to force Taiwan to sue for peace.

**2. Mine Blockade.** The communist side could seal off Taiwan's harbors and cut off its sea-lanes by laying mines; they have a large number of different types of mines in stock, such as the "Mao [6951]-1, -2, and -3" contact mines; the "Chen [3089]-1, -2, and -3" acoustic submerged mines; and the "Chen-5" and "Mao-4" ultrasonic or pressure mines. The mine laying could be carried out by helicopters, naval vessels or armed fishing boats (naval mine warfare in the peoples war). This would cause a tense and frightening situation in the Taiwan Sea and tie up a large portion of Taiwan's naval force in minesweeping operations. The communist side could lay about 5,000 to 7,000 mines in the initial stage and another 7,000 mines in the second stage to blockade all Taiwan harbors and sea lanes. With a small price of

laying about 15,000 mines, the communist side could blockade all the harbors and shipping lanes in and around Taiwan.

**3. Naval Warfare With Armed Fishing Boats.** The communist navy has large number of small size vessels. They could convert half of these naval vessels into armed civilian fishing boats and use these converted vessels manned by naval officers and men disguised as fishermen and coastal population refugees to sail toward Taiwan from all directions. Upon arrival at the Taiwanese coast, the people on board these converted fishing vessels claim to be laborers seeking work or refuge. Then, could the Taiwan defenders open fire on this ragtag band of disguised communist naval personnel or plain poor civilians? Could they tell them to go back? The choice is very hard to make. With the large population on the communist side, the communists could easily mobilize a large number of people to form a ragtag invasion force; many poor people would be willing to risk their life to escape poverty. If the communists decided to wage this kind of peoples war on the sea, they could easily form a fleet of four to five thousand reasonably serviceable 300 hp vessels, each vessel able to carry about 60 to 80 persons. They could easily have an invasion force of 360,000. In the event of the aforementioned human-sea peoples war, what countermeasures could Taiwan take? Of course, the Taiwanese Navy would discover the communist fleet early on. Can the defenders open fire indiscriminately on the ragtag mixture of military personnel and civilians? Order them to retreat? Or negotiate with them? The tactic of using shiploads of laborers in a harassment and provocation operation is not new; this kind of incident has happened before in recent years, although on a small scale. This has been a thorny situation for Taiwan's intelligence and security organs to handle.

**4. Under the Pretext of Testing Guided Missiles, Seal Off the Taiwan Sea and Air Space, Prohibit the Passage of All Ships and Aircraft, and Thus Effectively Sever Taiwan's Communications With the Outside World.** This action would not be an air raid warning and would not be recognized as a legal action by foreign nations. America, the Soviet Union, and Japan could protest, but Beijing could say that the action is an internal affair and that foreign nations cannot interfere in other nation's affairs. Furthermore, the communists could claim that they are conducting a military experiment within their territorial sea and air spaces and that the test does not concern any foreign nations. The communists could authorize their Ministry of Foreign Affairs or the New China News Agency to publicize a safety warning and to advise all foreign nations' aircraft and vessels not to venture into the guided missile testing zone. Although this is not a wartime warning, it could intimidate and blackmail the people in Taiwan and force them to give in. In the past ten years, the communists have tested their guided missiles on the open seas on three occasions. In September 1988, they tested a guided missile fired from a nuclear submarine, and the New China News Agency

issued an announcement at that time that "the sea area bounded by 28 N and 123 E is dangerous to all aircraft and ships." In similar manner, the communists could intimidate and blackmail the people on Taiwan by saying they will conduct guided missile tests in the sea area off of Kaohsiung or in some other sea areas near Taiwan. This type of communist maneuver would cause great shock and disturbance in Taiwan. The communists could very well resort to this kind of high-handed measure to force Taiwan to peace negotiations, if there is no other way to achieve their objective without paying a "high price."

**5. Land Special Force of Saboteurs on Taiwan by Submarine To Carry Out Surprise Raids and Sabotage Operations.** In the past, the communist's customary tactic was to covertly dispatch a vanguard company or battalion to a planned landing zone. The advance landing unit coordinates with and assists the main landing party to secure a beachhead. The communists took this kind of action during their offensive operations at the Zhoushan [5297 1472] Islands, at Yijiangshan [0001 3068 1472] Island, at Hainan Island, etc. Although the present situation in Taiwan is much better than the situations in Zhoushan, Yijiangshan, and Hainan—in fact, there is no comparison—clearly Taiwan also has its weaknesses. Because of the prosperity in Taiwan, people indulge in comfort and pleasure and are not hardy and vigilant. Assuming that the communists could send their special force of well-trained, well-selected troops in several bands to Taiwan by submarine, some of the landed communist special forces would be killed by the defenders and some would slip through Taiwan's coastal defense. Since the people on Taiwan are spoiled by wealth and are cowardly, the successfully landed communist special forces could find hideouts easily. The communists could continue to send in more special force bands to build up the strength of their force in hiding. When the communist special force reaches a certain level of strength, they could start to create disturbances, to stir up trouble among the people and to cause unrest in the society. They could create a situation in which the communists have the opportunity to intrude in Taiwan's affairs or in which Taiwan has to sit down with the communists to negotiate a peaceful settlement.

**6. Simulate Many Waves of Air Raids Against Taiwan by Repeatedly Sending Warplanes to the Periphery of Taiwan's Air Space and Avoid Confrontation With Taiwan's Fighters by Staying Clear of Taiwan's Territorial Air Space.** Because of the simulated raids, Taiwan, especially Taipei, would have to sound the air raid warning when communist warplanes head toward Taiwan. These air raid warnings would unnerve the Taiwanese population. It is estimated that the communists have the capability of assembling as many as 1,500 warplanes of different types at their coastal air bases. They could send out waves of planes on simulated air raids in any number or on any schedule, any time day or night or morning. The planes would always stay clear of Taiwan's coast line and fly beyond the range of Taiwan's

antiair guided missiles. This kind of nerve-wrecking harassment could wear down Taiwan's air force and antiair guided missile units by keeping them on the run. The communists enjoy superiority in numbers over Taiwan, and the objective of Beijing's action would be to demoralize Taiwan's population and armed forces. In such a situation, even though Taiwan could detect the communist warplanes movements and determine their true intentions by early-warning reconnaissance, it would be hard to convince an average person not to be afraid of the air raid warnings. It would also be very difficult for Taiwan to maintain normal commercial and industrial activities and fishing fleet operations. Furthermore, the communist naval fleet can play the same kind of game in coordination with the air force; "camouflage regiments" can build many fake air bases, passing them off as genuine; according to available information, communist "camouflage regiments" in a group army can build a fake air base in six hours.

**7. Fire One or Two Medium-Range Guided Missiles To Create Confusion.** The communists could also organize several combined fleets to blockade the Taiwan Strait while another fleet outflanks Kaohsiung harbor to block its shipping lanes. Then there would be a large scale naval confrontation between the communist and Taiwanese Navies. However, a frontal three-dimensional war of combined air and sea operations is not likely to happen. A large communist amphibian landing on Taiwan would be very difficult for the communists to achieve, and they would not take this risk. There is a possibility that the communists could launch a surprise guided missile attack against Taiwan using missiles with conventional warheads, aiming the missiles at desolate and uninhabited areas. If the launched missiles were intercepted by Taiwan's anti-guided-missile missiles, they could always launch more: their objective is to shock and intimidate the population in order to force Taiwan into peaceful negotiation.

An all-out war between the communists and Taiwan is not possible. Even if the communists take a hardline stand, they would not risk engaging in a major war. Even if they want to, they do not have the strength to fight a major war. Hence, the communists would most likely employ a form of war (or a kind of military action) against Taiwan similar to the aforementioned seven. In general, the communist will adopt the strategy and tactics of "surprise attack, quick action, sinister and crafty technique, intimidation, partial blockade, psychological warfare, landing saboteurs by submarine, etc.," to strive for peace negotiations, to return Taiwan "to the fatherland" and to achieve the great undertaking of national unification for the "eight old top leaders."

For the communists, the situation of confrontation and stalemate in the Taiwan Sea is a thorn in their side; they feel indignant and resentful, and the use of military force to solve the problem is just one of the choices. If national unification does not materialize in the foreseeable future, the communists might use military force and the

"big stick" as a last resort to compel Taiwan to submit. Therefore, a crisis in the Taiwan Sea is always possible.

The sources of reference material for this article include: JIEFANGJUN BAO [LIBERATION ARMY DAILY]; JIEFANGJUN HUABAO [PLA PICTORIAL], 25 February 1990 issue; JIEFANGJUN WENYI [LIBERATION ARMY LITERATURE AND ART]; HANGKONG ZHISHI [AEROSPACE KNOWLEDGE]; JIANCHUAN ZHISHI [NAVAL AND MERCHANT SHIPS]; BINGQI ZHISHI [ORDNANCE KNOWLEDGE]; SHIJIE JUNSHI [WORLD MILITARY AFFAIRS]; HAINAN JISHI [HAINAN DIARY]; BAYI TONGXUN [AUGUST FIRST NEWSLETTER]; ZHANSHI BAO [FIGHTERS DAILY]; ZHONGGUODE GUOFANG GOUXIANG [CHINESE NATIONAL DEFENSE CONCEPT]; GUOFANG FAZHAN ZHANLUE SIKAO [THOUGHTS ON NATIONAL DEFENSE DEVELOPMENT STRATEGY]; XIANDAI SHIBING SHOUCE [MODERN SOLDIERS HANDBOOK]; SHIJIE JUNSHI NIANJIAN [WORLD MILITARY AFFAIRS YEARBOOK]; JUNSHIJUAN DABAIKE QUANSHU [MILITARY ENCYCLOPEDIA]; BINGQI CIDIAN [WEAPONRY DICTIONARY]; JUNSHI HOUQINXUE GAILUN [AN INTRODUCTION TO THE STUDY OF MILITARY LOGISTICS]; JUNXUN SHOUCE [MILITARY TRAINING HANDBOOK]; TOUSHI TAIHAI ZHANSHI [A PERSPECTIVE OF THE WAR HISTORY IN THE TAIWAN SEA]; JIANGSHI MINGLU [HIGH-RANKING MILITARY OFFICER REGISTER]; DANGDAI JUNREN FENGMAO CONGSHU [COLLECTION OF STYLES AND FEATURES OF CONTEMPORARY MILITARY PERSONALITIES]; etc.

#### Taiwan's Reaction to Communist Deployment

90P30027B Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 244, 1 May 90, pp 70-71

[Article by Cheng Zihua (4453 1311 5478): "How Taiwan Will React to the Chinese Communist Deployment for the Takeover of Taiwan"]

[Text] The ratio of military strength between Taiwan and the communists is a controversy and a disputed subject in Taiwan. Because of the long period of confrontation, Taiwan's military sector has had profound misgivings about possible communist military intentions.

Ever since the Nationalist forces retreated to Taiwan in the 1950's, they have considered the communists as their "hypothetical enemy." During the Chiang Kai-shek and Chiang Ching-kuo eras, because both leaders greatly mistrusted the communists, Taiwan maintained a 500,000-strong military force for defeating the expected communist invasion. After the relaxation of tensions between the two sides of the Taiwan Strait, no one can predict whether either side will resort to a "military operation" to solve the problem of "unification". Especially since the Tiananmen Incident, the Taiwanese

military has had misgivings about the "unwarranted" communist conduct. On the questions of whether there will be war between the two sides and whether the "peace movement" will move forward against us, the Taiwanese military believes that war can break out at anytime, and it shall not agree to the so-called peaceful unification solution.

#### Mutual Contradiction Between Army Building and Survival Strategy

Under the present situation, the administration of national defense in Taiwan is based on the policy of being militarily prepared against possible war with the communists. In the past when the ROC-U.S. joint defense was in force, the justification for taking military action in the Taiwan Strait by either the ROC or the United States was explicitly defined. Although there were four military conflicts between Taiwan and the communists during that period, none of them developed into a regional war. The key factor in diffusing the military conflicts was the United States' format of giving assistance to Taiwan and their limiting Taiwan's armament. Because of these key factors, Taiwan adopted the military posture of "active defense," with no intention of initiating offensive action against the communists.

Because of this active defense strategy, the United States limited arms exports to Taiwan. In order to meet strategic and tactical requirements, Taiwan resorted to "building up the army" as its main defense force and employing the navy and air force as supplementary forces. Opponents of this policy believe that since Taiwan is a classic island war zone, it is logical to go all out to develop the navy and air force to achieve a partial superiority in the military power balance to force the communists to abandon their strategy of fighting a decisive battle on the ground. An island without a superior navy and air force could not survive strategically; emphasizing "army building" and "fighting a decisive battle on the ground" is not practical.

Because of the aforementioned situation, the contradiction between army building and the strategy of survival has not been resolved since Chiang Kai-shek started reorganizing and outfitting the armed forces in the 1950's.

#### Seven Major Theaters of Operations and Preparation for Mobile Warfare

According to the information listed in the ROC Yearbook compiled by the National Defense Ministry's Bureau of Translating and Editing Historical and Political Annals, the communist army, navy, and air force are superior to Taiwan's (see attached table). For the sake of the strategy of survival, Taiwan has had to make major adjustments in its military structure to gradually improve the military situation.

Taiwan began expanding its in-depth combat readiness in the Hua-tung area in the 1980's to prevent a communist invasion. The Hua-tung Command was established

## MILITARY, PUBLIC SECURITY

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## COMPARISON OF LAND, AIR, AND NAVY MILITARY STRENGTH BETWEEN TAIWAN AND COMMUNISTS

Service	Taiwan	Chinese Mainland
Army	Army 314,000 Air Special Force 4,500 Length of Military Service 2-3 years	Army 2,300,000 Airborne Troops 9,000 Length of Military Service 3 years
Artillery	Combat Vehicles 452 Troop Carriers 1,000 105-mm Howitzer 700 155-mm Howitzer 400 203-mm Howitzer 150 155-mm Cannon 400 40-mm Antiaircraft Gun 300	Combat Vehicles 9,000 Troop Carriers 19,000 All Types of Artillery Pieces 360,000
Missiles	Kung-feng (1562 6912) Rocket Gun Hsiung-Feng (7160 7363)-Series Missile (Coastal Defense) TOW Missile (Anti-Armor) Nike Hercules-Series Missile (Air Defense) Hawk Missile (Air Defense) Chaparral Missile (Air Defense) T'ien-kung (1131 1712)-Series Missile (Air Defense)	Multiple-Tube Rocket Gun Silkworm-Series Missile (Short and Medium Range Coastal Defense) TOW Missile (Anti-Armor) Hongqi-Series Missile (Air Defense) Chang Zheng-Series Missile (Satellite Launch Vehicle) Hongying (4767 4964)-Series Missile (Infantry Air Defense)
Land Forces	Kinmen Garrison (4 Div, 1 Armor Group) Matsu Garrison (2 Div, 1 Marine Unit) P'eng-hu Garrison (2 Div, 1 Armor Group, 1 Missile Battalion) 6th Army Group (3 Div, 1 Armor Group, 2 Missile Battalions) 10th Army Group (2 Div, 1 Armor Group, 1 Missile Battalion, 1 Marine Div) 8th Army Group (3 Div, 1 Armor Special Task Force, 1 Missile Battalion, 1 Marine Div) Hua-tung Command (1 Div, 1 Marine Unit)	Shenyang MR (4 Armies, 16 Infantry Div, 4 Combat Vehicle Div, 2 Missile Div) Beijing MR (5 Armies, 17 Infantry Div, 3 Combat Vehicle Div, 1 Missile Div) Lanzhou MR (2 Armies, 9 Infantry Div, 1 Combat Vehicle Div, 2 Missile Div) Chengdu MR (3 Armies, 10 Infantry Div, 1 Missile Div) Guangzhou MR (3 Armies, 10 Infantry Div) Jinan MR (2 Armies, 7 Infantry Div, 1 Combat Vehicle Div) Nanjing MR (3 Armies, 11 Div, 1 Combat Vehicle Div)
Navy	Navy 38,000 Marines 28,000 (2 Div) Length of Military Service 3 years	Navy 240,000 Naval Aviation 3000,000 Marines 28,000 Length of Military Service 6 years
Naval Forces	Submarines 4 Destroyers 24 Frigates 10 Missile Fast Attack Craft 62 All Types of Naval Vessels 458	Submarines 113 Destroyers 18 Frigates 34 Missile Fast Attack Craft 237 Conventional Fast Attack Craft 650 All Types of Small and Large Naval Vessels 588
Air Force	Hsiung-feng I and II Missiles (Short and Medium Range Antiship Missiles) US-made Standard Missile (Medium Range Antiair Missile) US-made Chaparral Missile (Short Range Antiair Missile)	Haiying-Series Missile (Short and Medium Range Antiship Missile) C801 and C601 (Medium and Long Range Antiship Missiles) CSA-NX-A and SH-2 (Antiair Missiles)
Naval Districts	Tso-ying (1563 3603)--General HQ, Marine HQ, First Naval District Ma-kung (7456 0361)--Second Naval District, Forward Naval Operations Base Chi-lung (1015 7127)--Third Naval District	North Sea Fleet--Principal Communist Fleet, Home-based at Qingdao East Sea Fleet--Assigned Primary Control of East and Taiwan Seas, Home-based at Shanghai South Sea Fleet--Assigned Primary Control of South Sea, Home-based at Zhanjiang
Air Force	Air Force Personnel 77,000 Length of Military Service 3 years	Air Force Personnel 250,000 Length of Military Service 6 years
Attack Planes	Fighters 547 Reconnaissance Planes 8 Transports 92 Helicopters 59	Bombers 520 Attack Planes 500 Fighters 4,000 Reconnaissance Planes 260 Transports 420 Helicopters 400
Missiles	Sidewinder Missile (Air-to-Air) Maverick Missile (Air-to-Ground) T'ien-chien-Series Missile (Short and Medium Range Missile)	AAM-Series Missile (Air-to-Air) ASM-Series Missile (Air-to-Ground)
Air Bases	Air Bases 8	Air Bases 383

in July 1989 to serve as the strategic command center for all Taiwan. The Hua-tung area was then designated a theater of operations for the first time since the Kuomintang moved to Taiwan. The entire Taiwan area has been divided into "seven major theaters of operations:" the 6th Army Group is assigned to Taipei; the 10th Army Group to Taichung; and the 8th Army Group to Kaohsiung. The Peng-hu Garrison Headquarters is located in Peng-hu, the Kinmen Garrison Headquarters in Kinmen, and the Matsu Garrison Headquarters in Matsu. The Hua-tung Command is located in Hua-lien. In comparison, the communists adopted the concept of "deployment in depth" in their seven military regions, while Taiwan adopted the concept of "mobile response deployment" in their seven major theaters of operations. We can see that each side's combat deployment is suited for the characteristics of each side's combat operations.

Secondly, the military command structure on either side uses the format of "small units in a large establishment." In the past, even though Taiwan is small in area, its command structure was in the form of "building one house on top of another" or the needless duplication of levels. When the general staff sent an order to a division, the order went through three command levels before reaching the division. This kind of command structure was cumbersome and could not meet the requirements in war when the combat situation was swiftly changing. Thus, there was no direct command channel, and mobility and administration were hard to achieve and to manage. In view of the aforementioned difficulties, the Taiwanese military decided to abolish the "army" command level. The money saved from the reorganization was used to finance the military buildup in the Hua-tung area. From this arrangement we can foresee that Taiwan and the communists will engage each other's army, navy, and air force in the Hua-tung area. The theater controlled by the Hua-tung Command will be the main battlefield, while the formerly important battlefields in Kinmen and Matsu will become secondary, "static defenses."

In analyzing a future war between the Taiwanese and communist sides to choose a "main battlefield" and a "secondary battlefield," one must pay attention to the developing situation.

#### Resolved To Defend an Isolated Island to the Last

Many authoritative military critics, in analyzing a possible military action between the communist and Taiwanese sides, point out unanimously the importance of Kinmen and Matsu. But they have different opinions on how much force each side will employ in the conflict. In analyzing from the historical angle, one can determine certain facts, but from the strategic angle, one cannot predict Taiwan's ability to stall a communist military action. The Taiwanese military fully understands that the changing situation is not on their side, but for the sake of survival, they prefer "to have a shattered piece of jade rather than to have an unbroken piece of pottery," to resist the superior communist invasion force, and to

defend the isolated island to the last. The communist side must consider the possible heavy losses when Taiwan makes a last-ditch stand. Also because of this analysis, Taiwan has abandoned deployment for "offensive operations," has adopted deployment for "mobile responses," and has divided Taiwan into seven theaters of operations to thwart a communist invasion by employing war of attrition tactics. Whether or not this strategy can persevere depends on the growth or decline of the relative strength of the two sides.

Basically, it is very hard to get a definite conclusion from studying the war situation between Taiwan and the communists because both sides have variables that cannot be evaluated in advance. Taiwan, for instance, constantly prepares for war to meet possible attacks from the communists, while the communist side has to be ready at all times to meet possible attacks from Taiwan as a result of their own preparations for war against Taiwan. Each side's policy for military buildup takes a different course, and a war in the Taiwan Sea will be a complicated matter. Presently, both sides have enough self control to solve their problems or to maintain the stalemate in peace; however, an external influence could "ignite" a military conflict. A worsening international situation, interference from American and Soviet hegemonism, changes in the communist's foreign policy, and upsets in the military power balance between Taiwan and the communists are some of the external influences that could cause a war between the two sides.

In observing the situation mentioned above, a certain high-ranking military officer in Taiwan stated that "after Chiang Kai-shek passed away in 1975, Taiwan renounced the privilege of starting a war with the communists on its own initiative; upon assuming power, Chiang Ching-kuo stated publicly that Taiwan will not resort to force to unite China; and Li Teng-hui admitted the fact that Taiwan's sovereignty cannot reach China's mainland. All these clearly indicate that Taiwan's military buildup is for its own preservation or self-defense. It is not for and is not able to conduct offensive operations." The present trend of events indicates that whether the strategic situation of peaceful competition in the Taiwan Strait can be maintained or not depends on the communists' attitude.

#### We Need Better Report Card

90P30027C Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 244, 1 May 90, pp 76-77

[Article by Chin Cheng (6855 6134): "Please Bring a Better-Looking Report Card"]

[Text] Every step along Taiwan's road to promote the four major fields of national defense construction has been very arduous. The restrictions on Taiwan's military development imposed by the United States are still in force. For instance, the new "Yung-hu" [0516 5706] tank was produced using an M-60 chassis design which is not yet obsolete, a 105-mm gun as its main armament, and

the new neodymium-yttrium laser range finder and ballistics computer. Its gun turret, however, is that of the old M-48. Hence, it was quite a struggle to improve the "Yung-hu's" defensive capability against nuclear and chemical weapons, the crew survival rate after a turret hit, maneuverability and ammunition storage, and turret stability, etc. Due to the lack of design experience, Taiwan even had to invest quite a lot of time on the requirement of maintaining fire stability for a turret-mounted machine gun on a fast moving tank.

The construction of a second-generation combat vessel received much public criticism, and a good deal of it was aimed at the allocation of production resources, especially since a large share of the shipbuilding contract was given to the Republic of Korea. However, most of the criticism overlooks the good functions and seaworthiness of the American "Perry-class" frigates that were built during the second-generation combat vessel construction program.

In general, the U.S. Navy deploys its "advanced" warships in high-risk areas such as the North Atlantic Ocean, and it deploys its "less advanced" warships in areas less threatened by conflict such as the Indian Ocean. American "Perry-class" frigates are being deployed in the Middle East, and one of them was hit by a Exocet guided missile launched from an Iraqi warplane.

#### A Question Mark on the Function of "Second-Generation" Warships

There are different opinions as to what tasks a frigate should be assigned. Should it be used in fighting a naval battle or as an escort? The majority believes that a frigate should be used in offensive operations. By design, this type of warship has a displacement of only about 3,000 tons; it would be difficult to increase its armament or sophisticated equipment because of the ship's space and capacity limitations.

Not every nation has to have a fleet of large warships; Sweden is a good example of a country having "small-size warship thinking." In facing the might of the Soviet Union's navy, Sweden has basically abandoned the idea of engaging the Soviet Navy in a ship-to-ship naval battle on open seas. Sweden's newly constructed warships are in size only several hundreds tons, and its naval strategy is to conceal its small warships and submarines in numerous caverns along the seacoast; together with fighter-bombers, these concealed naval combat vessels can form a highly effective coastal defense force against the Soviet Navy. In the event of a war, Sweden will depend heavily on its fighter-bombers to strike back against an invading naval force because it is easier to build a large and strong fighter-bomber force than it is to build up a large navy.

Although it may not be necessary for Taiwan to copy Sweden's "small-size warship" naval construction policy, Taiwan should realize that Sweden, based on its own national defense system planning, has built a compact navy (in reality, its navy is not very small) with

self-reliance and with available military resources. This writer has trouble comprehending Taiwan's concept of naval operations, particularly why it is incorporating the "Perry-class" warship into its defense "blueprint." The "Perry-class" frigate has three shortcomings: a) It is too big for coastal defense; b) When being used as a sea-lane escort, it must be operating within the range of land based air cover (a frigate's own antiair defense capability is questionable); and c) If it is being used to provide artillery support, a frigate lacks traditional firepower. In the Falkland Campaign, the United Kingdom learned a painful lesson due to the shortcomings listed in b) and c). Therefore, the most practical application of a frigate is in antisubmarine warfare; however, in a full-scale war, a frigate needs all kinds of other supports in order to fully carry out its antisubmarine function. Otherwise, a frigate should not operate too far away from coastal areas.

Perhaps Taiwan has only been able to acquire the "Perry-class" warship at the moment. Production of the ship does not appear to be for naval strategy purposes, but rather for the training and cultivating of naval combat personnel. In the construction of the three armed forces, the navy's construction requires a much longer time than the army's and air force's. If not hindered by economic factors, the communists will sooner or later be able to build an aircraft carrier; for them, the only way to place Taiwan in their grip from north to south is to extend their air power on the sea.

#### The Ideal of "Stopping the Enemy on the Other Side of the Strait" Is Hard To Accomplish

The Ching-kuo "IDF" fighter is the most important task in the four major fields of national defense construction, and it took Taiwan more than ten years to design and produce the fighter. At the outset, Taiwan badly needed a new fighter because they believed that there could be war during the 1980's, and they were not willing to risk the adoption of questionable advanced technology in its manufacture. Consequently, the pneumatic design of the "IDF" is not very up-to-date according to present standards, but because of recent technology advances, the performance of the plane's electronic equipment is outstanding. For instance, the improved version of the APG-67 fire-control radar, which not only has a range of 148 km, but also has the capability of viewing upwards and downwards, can upgrade the plane's interception and ground (sea) attack capabilities. The Ching-kuo "IDF" is the first plane in Taiwan's air force equipped with the fly-by-wire flight control system, which can extend a plane's time in a combat zone. However, there is no plane that can be designed to be perfect for attacking ground and sea targets, for intercepting, and for engaging in dogfights. In designing the "IDF" fighter, Taiwan placed emphasis on the plane's aerial harassing and aerial combat capabilities.

The "IDF" fighter lacks a long-range interception capability; it cannot accomplish the mission of "stopping the enemy on the other side of the strait." The minimum early warning time necessary for Taiwan to be prepared

for an air raid by mainland planes is about 500 seconds. Intercepting low flying enemy planes is very hard to accomplish; the Taiwanese Air Force is strengthening its "radar network" by integrating the island wide semiautomatic radar systems into one fully automatic radar system. The objective is to improve the early warning system. As a follow-on to the "IDF" fighter, Taiwan is conducting research and development of a two-tail, two-engine fighter, which is to have increased long range interception and multiple target attack capabilities.

Taiwan has experienced unpleasantness in their past aircraft procurement programs. For instance, Taiwan's military strategist Hei Yu-lung [7815 1635 7893] promoted the purchase of the Hughes 500D helicopter, and it turned out that the 500D cannot carry antisubmarine torpedoes. An American company tried to sell Sikorsky 570 helicopters to Taiwan's air force and navy, but the company had no solution for preventing sea water corrosion. Some of the officers in the Taiwan's navy headquarters were strongly against buying the Sikorsky 570. To further complicate the matter, the company's representative, former-Secretary of State Haig, tried to sell the same type of helicopters to the mainland, and the Sikorsky 570 helicopter seller's competitor, the Bell Company, asked a U.S. senator to persuade Taiwan not to buy that model. However, many Sikorsky 570 helicopters were purchased on the justification that the helicopters were to be used as a land-based antisubmarine weapon.

#### Looking Forward To Getting More Powerful Military Equipment

Taiwan's national defense construction has progressed from the stage of buying armament from abroad to the stage of piecing together and assembling purchased parts and to the present stage of having an integrated and highly efficient scientific and technological national defense construction. However, with the increasing possibility of a communist military invasion of Taiwan, Taiwan must have a better "report card" on producing sound military equipment.

#### Short Story Features Rocket Engine Expert, Wife

90CM0208A Beijing SHENJIAN [DIVINE SWORD] in Chinese No 2, 5 Apr 90 pp 39-42

[“Short story” by Ren Hao (0117 4110): “Rocket Engine Expert and His Wife”].

[Text] Like yesterday, she walked into the hospital room right at 1200, at noon. She carried a thermal lunchbox and an old umbrella, wore a pair of dual-purpose man-made leather shoes, and had her trouser legs turned up twice. She came in. First she stopped by the door and glanced at him in the sickbed. Then she brought back her soft and gentle expression and walked toward him, holding the lunchbox with both hands and smiling.

Seeing his wife's familiar movements, for some reason Zhang Zhenshan had a strange feeling inside. Was it

gratitude, excitement, or guilt? He was not sure himself. He only felt that his wife had become thin and old. She was only a 45-year-old woman, but her hair was already partially grey. The wrinkles between her eyebrows were as deep as if they were carved with a knife. He felt a lump in his throat. He looked at her up and down, trying to find something that belonged to her. He looked at her from head to toe, but nothing looked familiar to him. Suddenly, he felt that something wonderful had touched his heart. That was the expression in her eyes. Twenty years ago, it was this same soft and loving expression that lit up his light of hope for the first time.

“I am a farm girl. You are a college student. Don't you think I am too rustic?” Leaning against a willow tree in front of a dilapidated temple, with her head lowered slightly, and playing with a willow twig in her hands, she gave him a gentle and expectant look now and then.

The first time he received such a look, he felt that it was like a glass of rich, sweet wine. He stood before her, gazing into her eyes. As those long eyelashes fluttered, he felt for the first time that a girl's eyes were windows of love and that kindness and sweetness were flowing out of them. He lifted her hand and said affectionately, “His eyes are a pond of autumn waters, and your eyes are a gem. I do not want to part with autumn waters, and I am also fond of gems.”

“Really?!”

She nestled to him under this willow tree. Their faces were closely against each other. He felt clearly that her cheeks were burning hot.

“Cuifang, let's be together forever!” His voice trembled.

“You are from a metropolitan area. How can you take a fancy to this poor valley? You are here only for the transition period. You'd be gone the minute you become an engineer or something!” Obviously she said so because she was afraid of losing him.

That night, he and she stayed by the small stream, walked across the little bridge holding hands, and lay on the lawn beside the temple, having endless heart-to-heart talks. Only when the roosters in the village began to crow did they reluctantly return to their straw beds in the old temple.

Everybody was sound asleep except Zhang Zhenshan, who tossed and turned in his bed but could not sleep. He was thinking about her, about the time they first met.

The truck arrived at the foot of Zhongnan Mountain where the dirt road ended. Everybody was in a rush to unload luggage from the truck. Zhang Zhenshan jumped down from the truck. He stood by the roadside, looking at great lush mountains, small running streams, and small winding roads. He felt everything was so new to him. He grew up in Beijing and went to school in Changsha. This was the first time he was in deep mountains. Real mountains and real waters. They were so beautiful! The temple on the other side of the river

was old-fashioned, which was really rare in the cities! Looking around, he could not help but cast his eyes on the truck. Inside, a girl in a red-print overall carrying a sleeping bag was hesitating as if she wanted but was afraid to throw it down from the truck and yet she did not know how to ask for help. He walked to the truck and volunteered to help her with the sleeping bag. She smiled politely in return.

"Where are you from?" He asked as he walked.

"I just graduated from a technical school, majoring in chemistry. I am assigned here to be a worker. How about you?"

"I just got out of Xigong University, majoring in MD [expansion unknown] rocket engines."

Carrying heavy luggage, she and he walked across a wooden bridge and arrived at a small temple.

Their group, consisting of a few more than 100 people, entered the Zhongnan Mountain and all moved into this small temple. They lived in the wing of this one-story temple and slept in straw beds. A few days later they were all bored. Every evening, some women with bound feet came all the way from the mountain to burn joss sticks and kowtow, filling the whole temple with smoke. Whenever this happened, he would go out alone to take a walk by the river.

"Don't you feel lonesome walking by yourself?" She beckoned to him, sitting on a rock by the river.

"Aren't you alone, too?" He asked her.

"You must be thinking about the city. That dazzling world must be more comfortable than the mountain valley, right?" She walked close to him as she talked. Her words set off his complaints.

"How can we build a rocket-engine research institute in an impoverished valley? Workers don't even have a place to live, how can they carry out the construction of three fronts?"

"But it is the instruction of the Central Military Commission! Haven't you heard that the two hegemonists—the Soviet Union and the United States—are reckless? Our national defense is still weak. If we do not do a good job in the construction of three fronts, we may lose our country."

"Okay, let's not talk about this." He said. Suddenly he remembered something. "We have been here several days now and I still don't know your name!"

"My last name is Liu and my first name is Cufang. Just call me Cufang! What is yours?"

"My last name is Zhang and my first name is Zhenshan."

"That is a great name! Zhenshan means vitalizing mountain valley, developing a research institute in the valley.

Don't you think so!" She said it in such an naive, childish, and energetic manner.

That night was the first time he and she took a walk together outside. They walked across the little bridge, around the stream, and onto that small dirt road, talking and laughing. Neither one of them knew how far they walked.

"I love mountains and rivers. My home is in the Qinling Mountain. My mom and dad sent me and my sister to school with the money earned with work points. I passed the exam for the technical school. Mom said, 'After you graduate, do not complain no matter where the government sends you, for we are mountain folks, we wouldn't like living in the city any way.'" It seemed that Cufang was telling him her family history. It also seemed that she was giving him a political lecture. Zhenshan only felt that she was being frank. But he is, after all, the spoiled son of an intellectual's family. It was family influence that made him decide to major in the field of rocket engines. His father is the director of an ordnance factory in Beijing. During the war he had gone through fire and water and won many honors in battle. He constantly explained to his son about the importance of modern national defense. With the support of his father, Zhenshan passed the exam for the department of rocket engines. He once swore to his father that he would join his father in engine research after graduation!

Little did he know that the first MD rocket-engine research institute of China was still brewing in front of the old temple. MD was a complete blank in China. Research center? None. Testing ground? None. The only thing they had was people who were gathered in a mountain valley to work for the construction of three fronts. He was disappointed.

"We'd be better off farming in the valley. When will the research institute be operational?" He sighed.

But she said, "Rice tastes better if you cook it yourself. Starting a business is hard, but it is fun!"

Starting that day, she was often seen with him by the brook and the small road in the evening and in the moonlit night. They talked about study and life. Gradually something strange began to grow inside him. He felt uneasy if he did not see her for one day. He felt that he was losing his sight if he did not see the mountains and rivers.

Spring was warm and flowers bloomed. The foundation of the research building of the institute was completed. The construction team worked day and night. The over 100 workers of their group were organized to build roads.

He and she pushed a wooden wheelbarrow. He was panting after going back and forth only twice. She snatched the wheelbarrow away from his hands and pushed a wheelbarrow of dirt easily. He stared at her. She was wearing a dark red sweater, reflecting her

glowing face. She pushed the wheelbarrow toward him, with her chest bouncing up and down and her watery eyes blinking. She was beautiful! It was the first time that he discovered that she was beautiful. He helped her push the wheelbarrow, and his hands accidentally touched hers. He was nervous like he had an electric shock. She, however, timidly took her hand back, put it lightly on her chest, and smiled sweetly. He clearly saw that she blushed when she smiled.

His wife opened the lunchbox which was filled with hot, fine egg noodles, Zhenshan's favorite. Those long, fine noodles, tender egg flowers, chopped green onions, and golden rings of oil floating on the surface exuded a tempting aroma which took Zhang Zhenshan's thoughts back to 1974.

In the fall of that year, he went to the Inner Mongolia plateau testing base to participate in the test-firing of China's first MD rocket engine, which failed and evoked worldwide repercussions. As one of the developers of the engine, he felt great pressure. After all the experts and engineers had left the base, he stayed in a plain house in the desert. He took apart the ignited engine and carried out careful recordings, comparisons, and studies of various technical parameters. At first, Zhang Zhenshan ate at the dining facility for the staff and workers of the testing base. Later he felt as if everybody was calling him names behind his back when he went to eat: "How can eat after your experiment failed?" He was so mad that he switched to the laborers' mess hall where he was served potatoes three times a day. One month later, when he left the desert, he had stomach trouble from eating too many potatoes. After he returned home, his wife saw how haggard he looked and felt sorry for him. After scolding him for not taking care of himself, she asked him what he wanted to eat. He said, "My wife, you are clever with your hands. You make the best clear noodle soup." To increase his nutrition, his wife broke four eggs and chopped green onions in his noodles. When she took it to him, he was surprised: "How come you cooked me a bowl of flowers?" "Silly, eggs taste better than potatoes!" Since then, whenever he left home or felt sick, his wife would cook him a bowl of egg noodles to soothe his stomach.

His wife fed Zhang Zhenshan some noodles, but he could not swallow.

She scolded him: "The satellite launch was a success. You ought to be able to eat a few good meals!"

"That is right. I should be able to eat a few good meals!" Zhang Zhenshan also thought so.

On the eve of satellite launch, he was ready to leave for the launching base. On the night of his departure, his wife was particularly excited.

"Lao Zhang, we have worked on the engine in this valley for 20 years now. We have been through a lot of hardships and sufferings. Everybody said that we are

now getting somewhere. Since Engineer Zhang is the commander in chief, it is bound to be a success!"

Hearing this, Zhang Zhenshan was quiet. He remembered the experiment in the desert in 1974. He felt strongly about his heavy responsibility, which was much more than just being a commander in chief. It seemed that he could see numerous pairs of expectant eyes and warm hands.

His wife saw he was depressed and deeply understood his pain. Almost simultaneously, she and he turned their eyes to the picture on the wall—the picture of him and her standing together under the willow tree in front of the old temple! Her eyes were moist with passionate tears and her voice was trembling, "We asked for nothing in our life. We wish only to see with our own eyes the engine we built sending a satellite to the sky. The time has finally come..." Zhang Zhenshan did not cry, but his feelings were much more complicated and sentimental than his wife's at this moment. He felt that there were many things crashing into each other inside of him. He felt stuffy. He needed to get some cold air to calm down. He and his wife went out for a walk in the field.

The night air of April was especially pleasant. The crescent moon had just risen. It covered the great earth with a layer of soft gauze.

She held his arm romantically like a girl in love sending her lover to the battlefield.

They came to the old temple. After renovation, the previously dilapidated temple was now as good as new and had become a famous tourist spot. The dirt road had become a wide asphalt road. The deserted valley had become a research institute with row after row of buildings.

They stroked the tree in front of the temple. When she and he were still young, when they first embraced and had a heart-to-heart talk, this tree was standing right here. Now it was old, but it still decorated the spring with showers of willow twigs!

The next day, he was about to leave. His wife held a bowl of steaming hot egg noodles. She poured a glass of clear red wine and handed to him. Instead of quickly taking the wine, he stared at her. She was smiling at him and the expression in her eyes was gentle and soft. The red wine was spilling from the glass, her hand holding the glass kept rising, and her lips were moving as if she were talking. He felt that her eyes were like the wine, full of hope and blessings. He took the glass and drained it all in one breath.

The satellite launch was finally a success. During that period, Zhang Zhenshan could not sleep day or night at the launching base. On the night that XINHUA NEWS AGENCY released the news announcement, he fell into a coma and was sent to the base hospital.

Zhang Zhenshan felt that today he should not let his wife send him these noodles. Instead, he should be cooking a

bowl of noodles for his wife. He counted that since the beginning of February, his wife had been cooking him a bowl of egg noodles for breakfast every morning and that there had probably been 100 bowls.

On the day when he was promoted to high-class engineer and the commander in chief of the MD rocket launch of the base, a certain magazine accidentally revealed the news that China was about to launch a practical communications satellite and mistakenly moved the launch date up by one month. He hated those irresponsible people who sacrificed the state's reputation for a news report. In order to undo international impact, the Ministry of National defense ordered that the original launch plan be moved up by one month. At that time, the general assembly of the MD rock engine had barely began.

Zhang Zhenshan vowed to himself that he would lead researchers to race against time to save 30 days even if he had to lose a few pounds.

During those days when he ate egg noodles, for some reason he himself did not even know, Zhang Zhenshan always forgot to eat breakfast or lunch. He just felt nervous every day. His stomach trouble no longer bothered him any more. His backache was also gradually disappearing. After he came home at night, he either ate or read, rarely chatted with his wife. Nevertheless, at 0700 sharp every morning, his wife brought him a bowl of egg noodles without fail.

Zhang Zhenshan struggled to sit up against the headboard, he pushed away the noodles his wife brought to his face. He let his wife sit close to him and gazed into her eyes for a long time ...

## CENTRAL-SOUTH REGION

### Xinjiang Minorities Involved in Guangzhou Crime

90CM0186A Hong Kong CHIUSHIH NIENTAI [THE NINETIES] in Chinese No 244, 1 May 90 pp 88-89

[Article by Lao Xuan (5071 3551): "The Gunshots of Xihao Sound Alarm for Law and Order in Guangzhou"]

[Text] About 2200 on 3 January, chaos suddenly erupted among the crowds in Xihao Ermalu. Gunshots were heard everywhere. People's police in full battle gear fought with scores of people from Xinjiang (minority nationalities) armed with sharp weapons. In the melee, two Xinjiang people were killed and more than 20 were arrested. Altogether more than 40 people were wounded on both sides.

This may be the largest conflict in Guangzhou between armed police and members of a minority nationality from outside in the past decade. What caused it? What are its consequences? Let us begin at the beginning.

#### People From Xinjiang Invading Guangzhou

The early 1980's was a time of reform and openness. Guangzhou's unique geographical location—proximity to Hong Kong and Macao—makes it better suited for development than the interior.

It was during this "new historic era" that people from Xinjiang, armed with large amounts of renminbi, gold, and jewelry, made their way into the southern gateway—Guangzhou—as part of the army of a million people from other provinces and municipalities who invaded the city. The invasion of Guangzhou by people from Xinjiang was prompted by just one aim: to make money, by means legal and illegal. Of course, in China the line between the two is fuzzy.

Let us first discuss legal "business."

Watches, cassette recorders, bicycles, sewing machines, clothing... In the early 1980's "foreign goods" like these were rare or not easily available in the interior and were far from commonplace even in Guangzhou. Still, people in Guangzhou after all had many "channels" through which to import these goods. Thus wave upon wave of members of minority nationalities in Xinjiang like the Uygurs and Kazaks descended upon Guangzhou, undeterred by the vast distance they had to cover, to "trade," "travel around trading on one's own," or smuggle.

As time went by, their "business activities" got bigger and bigger to involve ever-growing sums of money and cover an ever-widening area. The "automobile case" in Hainandao, "videotape case" in Zhuhai, and "combination heater-air conditioner case" in Shenzhen, which shocked the nation, all involved people from Xinjiang to varying extents.

In the past few years, people from Xinjiang even got rid of their Guangzhou intermediaries to deal and trade with

the people of Hong Kong and Macao and foreigners (mainly those from Islamic nations) directly, engaging in smuggling activities most of the time. Color television sets, motorcycles, cars... No longer are they luxuries in the eyes of the people from Xinjiang. What they want is computers, electronic parts, precision instruments, and other high-grade, precision, and advanced industrial products. Does Xinjiang need so many sophisticated products? Not at all. In fact, most of the products are sold to the Soviet Union across the Sino-Soviet border in Xinjiang. In the past few years, Hong Kong and Macao exported to the mainland huge numbers of combination heat-air conditioners and counterfeit videotapes, many of which were also resold to the Soviet Union through Xinjiang.

To the Soviets, this is one way to lay their hands on sophisticated Western products they have dreamed about without parting with too much foreign exchange and without dealing with the West directly. Some of these products may even be used to turn out defense and space-navigation goods. For the sake of money, some Xinjiang people became high-class "middlemen." Their dealings usually take the form of "barter trade." The Soviets import computers, electronic parts, and other mainland products from the people of Xinjiang. The latter, at the same time, obtain from the Soviet Union timber, gasoline, fuels, and other commodities that the mainland is desperately short of. Through these transactions, the Xinjiang people have reaped huge profits and Guangzhou has become the place where they made a fortune.

Of course, not all people from Xinjiang came to Guangzhou to do business. Many of them are engaged in assorted trades. At Changti and Haizhu Square and around the hotels, the black market crowd has been joined by many Xinjiang people. They operate in groups, buy and sell gold, foreign exchange, and expensive medicines, and even steal and rob.

#### From Sanyuanli to the Railroad Station

Sanyuanli is where people from Xinjiang congregate in Guangzhou. Some of the smaller hotels and private residences in this neighborhood are occupied long-term by people from Xinjiang, spawning a host of roast mutton shops, large bakeries, and silk stores. Although this neighborhood is not as ablaze with lights as Changti and Haizhu Square at night, it is still a sea of people, bustling with noise and excitement. To the locals, Sanyuanli is "Little Urumqi."

Sanyuanli is not only where people from Xinjiang congregate, but is also their "sphere of influence." Itinerant traders from out of town who want to set up a booth must seek their "protection," and even "local bullies" are fearful of them. Their national characteristics are unity, fierceness, toughness, and belligerence. Armed with knives, they roam all over the place. The "southern army" in Guangzhou is divided into the "Xinjiang gang," "northeast gang," "Hunan gang," and "Sichuan

gang," each with its own sphere of influence and monopoly on the market. There are also frequent turf battles among them, creating a big headache for public security agencies.

More recently, the sphere of influence of people from Xinjiang has expanded to the railroad station, at the same time infiltrating into the Haizhu Square and Changti. On New Year's Day and during the Spring Festival, in particular, the railroad station is at its busiest, precisely the golden season for ticket (railway ticket) scalping. The "Xinjiang gang" and the "northeast gang" are the two major gangs operating at the railroad station. They collude with and fight with each other, controlling ticket scalping and transportation at the station and engaging in robbery, theft, and swindling. Even the people's police cannot do anything about them.

Changti, located between Haizhu Square and the area near Nanfang Building, is the largest "underground market" in Guangzhou. From dawn to dusk every day it is the gathering place for "itinerant traders" and "black market peddlers" from all over the nation, buying and selling gold, antiques, jewelry, and foreign exchange, even dealing in forged banknotes, grain coupons, bills, tickets, employee cards, letters of recommendation, and even drugs. In the past, this area used to be the turf of local bullies. Now it has been gradually taken over by gangs from out of town, particularly people from Xinjiang. It was against this backdrop that the clash of 3 January took place.

#### The Clash of 3 January

The evening of 3 January was the first clear night since New Year's Day. Xihao Ermalu in Changti was more crowded than usual. Local residents, out-of-towners, and itinerant traders from all over began their buying and selling. At about 2100 security personnel on patrol in Xihao found that two people from Xinjiang were acting suspiciously. (A robbery occurred in the area on the evening of 2 January. In that case, too, the offenders were two persons from Xinjiang.) They approached them and asked for ID papers but encountered resistance. Fighting broke out between the two sides. A few minutes later, a dozen people from Xinjiang in the area and other public security personnel at the scene also joined in the fighting.

Just when the local police station called the municipal public security bureau for help, the people from Xinjiang asked for help from their Sanyuanli headquarters. And just as two carloads of people's police in full battle gear rushed to the scene spearheaded by more than 10 police cars, a dozen taxis and small vans carrying people from Xinjiang armed with sharp weapons also arrived at the site.

What ensued at Changti, Xihakou, Xihao Ermalu, and Renmin Nanlu was a fight, unprecedented in Guangzhou, between the armed police and members of minority nationalities from Xinjiang. The armed police

were "forced" to open fire. Two persons from Xinjiang were killed and over 20 were arrested.

After 2300, the Xinjiang people fled the scene and the armed police sealed off the area for cleaning-up.

#### Omens of a Deteriorating Law and Order Situation

Only on 5 January did GUANGZHOU RIBAO carry a report on "the gunshots in Xiti Ermalu." Otherwise no newspaper, radio station, or TV station mentioned the incident at all. Still the city was thick with rumors.

People were particularly concerned about the clash on 3 January for these reasons: 1) The law and order situation in Guangzhou used to be quite good by mainland standards. That Guangzhou was the scene of a big battle between the police and bandits now really worries the public. 2) This was a conflict between armed police and members of minority nationalities. Even if the former were forced to take "extraordinary measures" in the interest of law and order, the fact remains that the incident involved members of minority nationalities, a sensitive issue. If mishandled, it is bound to affect the relations between the government and minority nationalities. Rumors from Sanyuanli say that the "Xinjiang gang" at one point declared that it would retaliate with troops sent from Xinjiang.

But this is just a warning signal on law and order in Guangzhou. The big crisis lies ahead. Take a look at the "timetable" for the period around New Year's Day 1990:

On 28 December 1989, a bank in the Liwan district was burglarized. On 1 January 1990, a savings institution on Shengping Lu in Foshan was burglarized. On 3 January, the big battle between the police and bandits. These are only some of the major cases known to the public (not all reported by the press.) As for robberies and thefts, they cannot be counted.

The worry of the people of Guangzhou about law and order is not uncalled for. Since the second half of last year, the economy has slipped into a recession, the market is sluggish, factories have suspended operations, and enterprises have been closed. In addition, about 1 million workers from out of town have been stranded in Guangzhou and the Zhujiang delta, forming a vast potential force for crime. (Actually these people have also been resorting to crime. Besides, with the end of the year just around the corner, some people wanted to make a killing before heading home for the New Year.) According to statistics from the department concerned, out-of-town criminals perpetrate more than 90 percent of all types of major criminal cases in the city.

Right now criminal organizations from all over the nation are active at the Guangzhou railroad station, on buses, and in other public places. Not only do they operate in groups, but they are also armed with sharp weapons. The general public, drivers, and peddlers are terrified of them. Even public security personnel are at a loss as to what to do.

Is law and order in Guangzhou headed for a crisis? It is a worrisome situation.

## NORTHEAST REGION

### Qiqihar Intensifies Socialist Ideological Education

90P30063A Harbin HEILONGJIANG RIBAO in Chinese 30 Apr 90 p 1

[Article by Liu Shuhong (2692 2885 1347), Qiao Wancheng (0829 8001 2052) and reporter Wang Ronggui (3769 2837 8106): "Qiqihar City Conducts Socialist Ideological Education By Levels"]

[Text] HEILONGJIANG RIBAO dispatch—Since last year, Qiqihar City's party committee has widely and intensively conducted city-wide education on socialist ideology and has energetically strengthened the belief among the broad masses of cadres and people that only socialism can save China. This effort has played an active role in stabilizing society and people's emotions.

Through education on socialist ideology, the city party committee hoped to make the broad masses of cadres and people better understand the nation's situation, thoroughly appreciate the party's basic line, and steadfastly walk the socialist road. To do this, the party committee has held four city-wide meetings to compare experiences and publicized more than 40 advanced, model experiences.

The city party committee has targeted five groups for education: cadres and party members at all levels, teachers and college and university students, workers and staff of enterprises and businesses, urban residents, and peasants. Different teaching methods and subject matter are used depending on the audience. The city has made all levels of cadres the main target of socialist ideological education. It has invited theoreticians and experts to a seven-lecture series and over 150 taped meetings and has held training in shifts for over 100,000

party members and almost 10,000 party organization personnel at all levels. The city has also held a "Forum on the Party Member's Image in the New Period" and held activities to learn from ten outstanding party members.

In conducting socialist ideological education, the Qiqihar City party committee has paid close attention to instructional methods and content so that the education would be more concrete and interesting. First, the city formed a 33,000-member corps of propaganda and instructional personnel and sent them deep into the grassroots to lecture and propagandize on the positive aspects of socialism. The city party committee's propaganda department collectively wrote and compiled lectures on socialist ideological education and a propaganda outline. Second, the city conducted an "accounting and comparison" campaign to foster an appreciation for the socialist system. It has conducted assessment and comparison sessions in rural areas on "my village before and after Liberation and my family before and after the contract responsibility system." Assessments and comparisons were also made on economic growth, training, and employment in cities and urban neighborhoods. Third, the city has held "mass discussions on me and my motherland," in which the cadres and masses discussed their role as masters in the major events of the nation, locality, unit, and in their own lives. They discussed and thoroughly understood the situation in the townships and the nation. The masses' patriotism was aroused and the idea that they and the socialist motherland must flourish and thrive together was instilled.

The widely-conducted ideological education campaign has had a rousing effect. When enterprises run into major difficulties, the majority of the workers and staff are full of zeal for the socialist undertaking and work to overcome temporary difficulties with a positive attitude. More than 10,000 cadres have gone to the grassroots to help the masses solve their practical problems. Some workers and staff members have even loaned more than 10,000 yuan of their savings to factories.

**Concern Over Stock Market Plunge Aired**  
*90CE0277A Taipei CHING-CHI JIH-PAO in Chinese*  
*22 May 90 p 2*

[Editorial: "Generally Justified Noninterference Does Not Imply Indifference—Serious Consequences of the Stockmarket Collapse and Measures To Cope With the Situation"]

[Text] The continued slump on the domestic stockmarket in the last few days, yesterday brought the weighted index down to below the 7,000 mark to 6,993, which is a downward plunge of about 45 percent, compared with the peak of 12,682 reached in February of this year. A decline of this magnitude amounts to a collapse of the market and spread panic among investors in negotiable securities, as it plunged them suddenly into dire straits. It also became a very real threat to monetary stability and public order. Opinions differ, and many different arguments are heard, as to whether the relevant government departments should maintain their attitude of noninterference and unconcernedly allow things to run their course, or whether they should rather take certain action to protect monetary stability. We believe that generally justified noninterference in the stockmarket does not imply indifference to a collapse of the market, and the relevant government departments, charged with the management of the country's monetary affairs, should indeed quickly adopt measures to protect the monetary stability of the country.

Upward and downward movements of prices on the stockmarket, sometimes even of large dimensions, are common occurrences, which will not warrant, as a matter of principle, any interference by the relevant departments of the government. However, in case of a prolonged slump of crisis proportions, the government must not confine itself to noninterference, remain unconcerned, and allow things to freely take their course. The continued drastic decline in stockmarket prices, ending in the ultimate collapse of the market, is bound to have serious consequences. First, it deals a devastating blow to the payment system in the money market and is seriously jeopardizing monetary stability, just as the time of the "Shih Hsin" and "Kuo Hsin" [names of two Taiwan banking establishments] crisis of the past. A drastic slump in the stockmarket is reducing liquidity of the market, is wiping out much of the financial assets of the general public, and is having an impact on the consumption and even on the productive activities of the entire society, resulting in an economic depression, and if further aggravated, could initiate an all-encompassing monetary crisis and an overall economic recession. When a slump of crisis proportions occurs in the stockmarket, relevant authorities in most governments will adopt and actively carry out appropriate measures to cope with the situation, to protect market stability, and to maintain monetary order. We see evidence of this in the measures adopted by the relevant authorities of the U.S. and Japanese Governments to stabilize their markets at the time of the New York stockmarket crash of

October 1987 and at the time of the 30-percent slump in the Tokyo stockmarket this year.

However, when the stockmarket in China registered a drastic decline to half of its former value during the short four months from February up to this time, the relevant government authorities not only failed to adopt measures to cope with this situation, but displayed not the slightest concern about the drastic slump in the stockmarket. Why this amazing indifference on the part of the relevant government authorities in the face of a total collapse of the stockmarket? Was it because of the impending reorganization of the cabinet, when everybody was vying with each other for official positions and therefore too busy to give attention to so important a financial matter? Or did they misunderstand the situation, miss their chance for intervention, and thus could not, would not, or did not have the courage to take appropriate action to cope with the situation?

Yet, generally justified noninterference in the stockmarket does not imply complete indifference to a drastic slump and collapse of the stockmarket. Complete indifference toward the stockmarket crash is bound to result in a monetary crisis and in a desperate monetary situation. It will even lead to a serious economic recession and will also destroy any optimism toward development of modern monetary management. Sound monetary management will, on the one hand, protect a free money market and bring the market function fully into play. On the other hand, it will also protect discipline in the money market and proper order for all monetary transactions. Management of stocks is one link of monetary management, and its functions should of course also comprise concern for operations, discipline, and order within the stockmarket. Elements that obstruct the functioning of the market must by all means be eliminated, however, and more effective measures must be adopted to cope with special conditions that jeopardize normal business transactions. It is therefore necessary when a collapse of the stockmarket occurs—apart from the preventative measures that should have been taken beforehand—to actively take appropriate measures to remedy the situation. This is a responsibility of any management of negotiable securities; it is also the responsibility of the general monetary management. How can one possibly hide behind the pretext of respecting the market function while showing this complete indifference?

However, in all measures to cope with the collapse of the stockmarket, one must not resort to administrative interferences which run counter to the functions of the market. In considering how to "rescue" the stockmarket from its collapse and to protect normal stockmarket transactions, we may have to refer to measures that have been taken by more advanced countries. We believe that to effectively put a stop to further degeneration of the stockmarket, relevant government authorities should take the following measures: First, the relevant finance and monetary authorities or the Executive Yuan should immediately issue a statement of serious concern for the collapse of the stockmarket, with an analysis of the

causes for the collapse and revealing economic conditions in China and abroad, so as to have all investors understand the situation, dispel their pessimism, and restore their confidence. Second, one should consider appropriately lowering for a time (e.g. half a year or a year) the tax on stock transactions. Although this was not a primary cause for the collapse of the stockmarket, an appropriate reduction of the tax would have the effect of a declaration by the relevant government authorities of their intention to stabilize the market. When the tax on stock transactions was 3 per thousand in the past, there had been precedents for collection of this tax at half rate, so that there would be no technical difficulty in implementing the proposed reduction in the tax rate. Third, it is necessary to do away with the method of allowing the ratio between available funds for short-term loans and available negotiable securities to adjust itself mechanically according to the weighted index. Adjustment of the ratio between available funds for short-term loans and available negotiable securities is the most effective tool for the optional control of confidence in stocks. The mechanical adjustment according to the weighted index, although exempting the relevant authorities from criticism, has the effect of completely forsaking all regulatory control over general confidence in stocks, and of adopting a method without the slightest responsibility attached to it, a method that should indeed be immediately abolished, while the former method of having the relevant authorities carry out adjustments as justified by the actual conditions should be restored. At the present juncture, when we witness a collapse of the stockmarket, it is necessary to energetically promote a larger percentage of guarantee money for loans and securities. Fourth, through private contacts, we must coordinate investment activities by banks and institutions, have them enter the market, and have them place purchases in appropriate amounts. But this matter has to be handled with caution and on the principle of respecting their free will to do so, to avoid any "unwarranted interference." In addition, the public shares of the three commercial banks (i.e. shares in the hands of the ministry of finance and the provincial government) should for the time being not be released, as such releases could otherwise cause confusion in the stockmarket.

#### Interview With Vice Presidential Nominee Li Yuan-tsui

90CM0094A Taipei TIEN HSIA [COMMONWEALTH] in Chinese No 106, 1 Mar 90 pp 26-28

[Article by Di Ying (3695 5391) and Li Se (2621 3844): "He Prefers Tranquility to Fame and Fortune, and Demands Efficiency-An Exclusive Interview With Li Yuan-tsui"]

[Text] Li Yuan-tsui, secretary general of the presidential office, who has been characterized by President Li Teng-hui as "a man without a voice," broke his silence and expressed his views during an exclusive interview with TIEN HSIA [COMMONWEALTH] magazine.

With regard to being nominated for vice president, "which he feels is a very important responsibility," he believes that President Li selected him not because he was better than anyone else or because he especially favors him, but because he hoped to select someone who could help the president complete the tasks and goals that president Li has for the nation and people over the next six years.

He depicts himself as a person who does not seek fame and wealth, is contented, gets immersed in his work, and one who demands efficiency. Therefore, "the possibility is very slight" that he will run for president (the ninth) because he has no interest in it.

When he was education minister and in his many years of teaching, he most liked students who "had innovative ideas and could put forward varying opinions." He criticized the present education system for excessively stressing indoctrination while writing off independent thinking and new ideas, its lack of training opportunities for cooperative group study, and the habit of bringing up students who do not research problems after graduation.

During six years as justice minister, he initiated action on two matters that were neglected by others, first, he created a type of halfway house "youth home" for families that have a problem of youths committing crimes. The other thing was that he established the "special treatment" system for aging judges (this was before there were retirement regulations) that had the judges become research consultants and stop hearing cases, which smoothly solved what was a knotty problem at the time.

#### Excerpts From the Interview Follow

[TIEN HSIA] May we ask, what is your understanding of the vice presidential role, how do you view it, and what duties do you think the vice president should perform?

[Li Yuan-tsui] In exact accordance with the stipulations of the Constitution, the vice president has no special authority; he serves merely a reserve role. In the Republic of China, the vice president should certainly have the same kind of knowledge and understanding as the president and it is hoped that he would perform the function of an aide to the president. The duties of the vice president may be many or few, depending completely on the needs of the president.

[TIEN HSIA] Some people believe that because you held the position of secretary general, President Li asked for your help by running for vice president. Are there any differences in the requirements one needs for these two positions? What are the differences regarding these two positions? Are you preparing to make any adjustments?

[Li Yuan-tsui] I believe these are two different duties with different roles and different functions. The normal official documents handled by the secretary general should not go through the vice president. The vice president also does not have a role to play in presidential orders, only

the Executive Yuan and related ministries are to countersign these. Therefore, the normal handling of official documents does not involve the vice president. Only if the president has a special matter he wants the vice president to study or an opinion he wants the vice president's advice on should he have the vice president involved. The vice president and the secretary general play two different roles.

#### Has Not Been Seeking Office

[TIEN HSIA] Some people say that you are suitable only as the secretary general. If you are elected vice president, will you be able to make the adjustment?

[Li Yuan-tsui] Let me bring up an example to answer this, the secretary general is an assistant to a leader. While a minister is the senior member of his ministry and has many policy decisions to make, the secretary general has no policy decisions to decide on. At the beginning of my term as secretary general, there were people who wondered if I was qualified to be secretary general, even though I had been the education minister and justice minister for many years. Is this not true? But how have I performed this last year? Because the secretary general has few dealings with outside circles, his performance must be evaluated by the president.

[TIEN HSIA] The external ministries were really surprised as to why the president selected you to be his running mate.

[Li Yuan-tsui] I never thought that he would nominate me. In the past, I worked under Mr. Ching-kuo as the head of several different ministries. He is the one who appointed me to the Ministry of Education; after this post I went to the Administrative Court and then to the Ministry of Justice. These positions were also given to me by Sun Yun-hsuan [1327 6663 3872] and Mr. Ching-kuo, I had not hoped for any of these jobs.

[TIEN HSIA] Based on your understanding, why did the president select you?

[Li Yuan-tsui] I believe this would best be answered by the president. I have not gone and asked him why he selected me. When we talked of this situation, I repeatedly expressed that he should select someone else, someone more appropriate. However, the president has his own way of looking at things.

#### Selecting the Appropriate Person

I believe the president's motives in selecting me, no matter what they are, are for the good of the nation and people, not because he favors me. He has his own views on which people to use at certain times, on what his responsibilities are to the nation, and on how to act to accomplish his responsibilities and goals. Its similar to looking for an assistant—you search diligently and perhaps the person you choose is not as good as someone else in certain aspects, but in order to accomplish things

that need to done in the future, you select the appropriate person now. With various conditions and situations, your choice will definitely not reflect the same view as everyone else.

[TIEN HSIA] Prior to someone being nominated, there are the traditional "five prerequisites," newspapers have also published many prerequisites. One prerequisite that attracts much conjecture is that the vice president should not desire to ascend to the presidency. Is there a possibility that you will run for president?

[Li Yuan-tsui] We should not try to anticipate how things will be in six years, but there is little possibility that I will run for president. It does not matter what position you are in as long as you serve the country. I feel that being a public servant is definitely serving the country, but is not being a farmer or laborer also serving the country? As long as you do the best you can in your position, not be a burden on society but do some good for society, then you are serving the country.

#### Academic Study Is the Best

I feel that one should not put too much emphasis on one's title. What are my actual abilities? Where do my interests lie? How can I contribute to the nation? By asking these questions, I believe a person can find happiness. By taking on too many burdens and doing things that you are not interested in to gain fame and position will lead only to sorrow.

The nature of people who go out and conduct interviews and those who stay back and edit stories are not the same; some people like action and some enjoy a calmer setting. However, both types are indispensable to the publication of either a magazine or newspaper. If you force a reporter to be an editor, he will naturally be unhappy. If you have a person who enjoys solitude go out to conduct interviews, he will also be unhappy. Therefore, a person must understand himself.

[TIEN HSIA] Based on your analysis, what are your individual characteristics and likes?

[Li Yuan-tsui] I am a quiet person, have few outside interests, and I feel that research and teaching in academic circles is still the very best profession. However, when you have an unfamiliar task to perform you must adapt to it, you may need to make more outside contacts to understand the point of view of others, that is our obligation and you should do it.

[TIEN HSIA] What feelings did you have after suddenly being selected as a vice presidential candidate?

[Li Yuan-tsui] If I am elected it will increase my personal responsibilities, increase my responsibility to the nation, and my responsibilities will be even more important. As long as a person does his best and puts out full effort, he will make a contribution.

[TIEN HSIA] When the president nominated you, he said, "Mr. Li Yuan-tsui is a man without a voice." This

statement has been discussed by many people. Why have you been called "a man without a voice?" Do you see yourself this way?

[Li Yuan-ts] No matter what duties or tasks I have, I always immerse myself in my work.

[TIEN HSIA] Does this so-called "no voice" mean that you are unable or unwilling to express your opinions?

[Li Yuan-ts] There is still talk like this, but I am willing to go anywhere to discuss things. If there is a matter that needs to be discussed or where contact with other organizations must be made, of course I will carry out the discussions. I will not go and give speeches to show myself off, I can be counted on to give my best effort.

[TIEN HSIA] According to outside reports, some people say you are frank, straightforward, and subjective, there are also those who say you emphasize efficiency and set strict demands. Could you analyze your own character as to what you consider your strong points and weak points, and where you could improve?

#### Definitely Tell the Truth

[Li Yuan-ts] I do not know how to be subtle, I speak in a blunt manner. I feel that obvious things do not need to be mentioned, and that what is said should be spoken truthfully.

As for the subjective-objective question, I do not agree that I am absolutely subjective. Research workers, especially in the study of law, encounter various types of learning, and all aspects of these varying learning methods must be understood. However, if we hold a meeting after our research, there will be different opinions, so a collective decision must be made by the gathering. A person should be decisive, but must not express his personal views.

[TIEN HSIA] There are others who say you have a strong character, is this correct?

[Li Yuan-ts] What is meant by strong? About this word "strong," did we not criticize people in the past for being principled? This is not a bad thing, it could also be termed stubbornly selecting what is good. One cannot vacillate when handling matters, is this not right? For example, in talking about legal questions, we should consider stability, right? However, when something wrong is stated, it should be quickly corrected. Laws that are established today may be discovered to be wrong tomorrow, these laws should be changed. If such laws are not changed, the laws that are wrong will ultimately not work. Looking at things from this viewpoint cannot be considered acting stubbornly.

[TIEN HSIA] There are people who say you demand efficiency.

[Li Yuan-ts] Efficiency is a necessity. In talking of efficiency in public affairs, we must be strict in our demands. I do not require this just of others but also

from myself. The Chinese people seem to do things best when they carry out jobs immediately, otherwise we like to put things off. I feel that we definitely need to improve administrative efficiency, if we do not, the nation and people are what will suffer. On one hand we wish for immediate reform of the nation while on the other hand we do not agree with people who demand efficiency, this is a basic contradiction.

#### Handle Both Large and Small Matters?

[TIEN HSIA] People say you are concerned with both large and small matters. For example, it has been said you were concerned about the teachers at Chengchi University playing mahjong and even about dirty windows. Why are you this way?

[Li Yuan-ts] The living quarters for the teaching and administrative staff at Chengchi University is located next to the campus. At that time, we were prohibiting students from playing mahjong because the majority of students living next to the university are either overseas students or come from the southern area of the nation. The parents of these overseas students have entrusted their sons and daughters to this country, they have returned them to the motherland in the hope that they will study diligently. Children from the southern areas come from homes mostly engaged in agriculture, and it is a hardship on their parents to pay for them to attend the university. I believe it would be completely wrong for them to spend their money and time playing cards and gambling. However, if you require that students not gamble and discipline those who do according to university rules, the students will then ask, why are the teachers allowed to do this and we are not? How will you answer the students?

Many teachers have also expressed that because the living quarters are so close together, that the playing of mahjong by some could hinder the study and sleep of others. Therefore, I required—hoped—that those who wanted to play cards, would not play in the university living quarters. I have no control of what goes on outside the university area, that is a matter for the police. We are responsible for what goes on inside the university grounds, we should consider the trust given to us by the students' parents, the future of the students, and we need to consider the tranquillity of our colleagues in their earnest teaching and research work.

Small things are the beginnings of large ones. Say I am walking in the countryside and someone throws down a cigarette butt, after that person has stepped on it, I will look to see if it was put out and often step on it again. Why is this? Suppose it was ignored, it could result in a forest fire. A small hole in a dike, if not plugged, could perhaps make the dike burst and cause a big mess.

[TIEN HSIA] There have been some outside reports saying that you were responsible for judging the "February 28th incident," for judging the Lei Zhen case...

## TAIWAN

[Li Yuan-tsui] No, no, you're joking! In 1946 I passed my college exams, received training as a judge in 1947, and came to Taiwan in March 1948. I was a judge in Hsinchu and Taipei law courts and joined the Supreme Court in 1950. I have handled civil and criminal matters in the Supreme Court for 40 years.

The "February 28th incident" happened in 1947, I did not even arrive in Taiwan until 1948, also at that time I was not working in the military courts but have always been in the judicial court system. I did not have the slightest connection with the "February 28th incident."

[TIEN HSIA] Were you involved in the Lei Zhen case?

[Li Yuan-tsui] I was not in this country during the Lei Zhen case. I left the Republic of China at the end of 1958 and did not return until 1968, I was in Germany for 9 years. I do not even know when Mr. Lei was tried. Therefore, I feel as though I am dispelling rumors. Reporters should be impartial, faithful, and honest, they should not fabricate stories. If you have a question, ask it, you can check on the facts later to see if they are correct or not.

[TIEN HSIA] At the present time, everyone feels that there are problems in the Taiwan legal system. What is the biggest problem with the system?

### Laws That Need Changing Should Be Changed

[Li Yuan-tsui] One fundamental problem is that the Chinese people have a fairly weak concept of the legal system. Another problem is that many of our laws are not necessarily suited to current conditions. Laws should always be fitted to the times, if laws are easy for people to accept, it will then be easy for them to abide by the laws.

If laws cannot be fitted to the times then the laws will be followed only grudgingly. I feel there are two areas that are very important: One is that we need to strengthen our concept of the legal system and change laws that need changing. The other area is our concept of being law-abiding; laws that are established must definitely be followed. We may discover that laws drafted today will be wrong tomorrow, these should be changed. I do not feel that this is a problem of making unpredictable changes in policy.

[TIEN HSIA] There is also some talk on the outside that President Li selected you for vice president because in the coming six years there will be some major law revision cases, and he hopes to use your expertise in this area. Is this true?

[Li Yuan-tsui] Although I have studied law, in the future if there is a legal question that I am supposed to provide an opinion on, I will still ask the help of other legal experts in order to get a general consensus. It is the same with doctors; they will get together for group consultation when a certain type of disease occurs. Law is just as finely detailed as this. Since I have studied, taught, and

engaged in law for so many years, I know which people are experts in certain areas. I am familiar with these people and it is easy for me to contact them.

Moreover, the presidential office does not have authority to establish or revise laws. These are matters for the Executive and Legislative Yuans. First, proposals must pass through the Executive Yuan or a Legislative Yuan committee and pass the Legislative Yuan, then it can be made public by the president. The authority of the presidential office is definitely not involved in the law process.

[TIEN HSIA] You have been secretary general for nearly 18 months now. Based on your understanding, what kind of man is President Li?

[Li Yuan-tsui] He is extremely sincere, you can say that he is very sincere no matter who he is talking to; he is never artificial. I think this is due to his background, he comes from an agricultural family and has experience in teaching and academic circles. He does not know how to beat about the bush on things and does not tell untruths, he is simply very sincere and honest.

His knowledge is extraordinarily profound and extensive, and he is very hard working. Ordinarily, you might think he was an agricultural economic specialist, but in fact he has a deep knowledge of all areas. He is very patriotic, unselfish, has no selfish motives, and is truly impartial. Furthermore, he gives his all to the nation. He is a Christian, and treats people very sincerely.

[TIEN HSIA] Some critics suspect that President Li may want to become another strongman, what is your view on this?

[Li Yuan-tsui] I do not believe he thinks this way. What is the definition of this so-called "strongman"? Would you want a useless or weak person? I do not think our nation wants a weak and incompetent person for president, correct? What kind of an idea is this?

[TIEN HSIA] What brought about these misunderstandings and criticisms?

[Li Yuan-tsui] I believe world affairs must be understood from beginning to end, and if you do not understand them all along, then you will not understand them at all. For example, some people say that there are many misunderstandings between myself and the National Assembly. The term "misunderstanding" should be prefaced here with the word conceptual. When you bring up someone's name, it shows "understanding," but at what level of "understanding"? You can be friends with someone for 30 or 40 years and still "not understand."

I think this concept is very important. When discussing problems, if the concepts two people have are in different categories, how can you bring them together?

[TIEN HSIA] As for the present situation in this country, whether in the social, political, or economic areas, what are you most worried about? How would you handle it?

[Li Yuan-tsui] Recovery of the mainland is our primary goal. However, in rejuvenating Taiwan, if we are unable to unite and work together, if we cannot coordinate and cooperate, we cannot begin to talk about progress, stability, and prosperity. If we cannot firmly rejuvenate the base here, how can we talk about recovery of the mainland? The most important things for Taiwan now are to unite, cooperate, and coordinate. Only in this way can we become stable, make progress, and prosper. This is the most important thing.

[TIEN HSIA] What do you worry the most about?

[Li Yuan-tsui] My greatest worry is related to our concept of the legal system. The study of law always points out the same thing, that to obey the law we must have a law-abiding concept. Only after this can we have relative harmony in our society.

[TIEN HSIA] For the future, in what direction do you see our nation developing...

[Li Yuan-tsui] I believe that the path of democracy is the path set for us; this cannot be altered and the entire world is going in this direction. Although we have already made big strides in this area, democracy still must be strengthened a great deal. We have our own opportunities as well as our own special unfavorable situations. Sometimes we must go slowly one step at a time, one step at a time to maintain stability. Moving in this manner is the only way for the nation to remain stable and for society to maintain its harmony. We will make big strides when needed and go slowly one step at a time when needed, we should not reach for what is beyond our grasp.

[TIEN HSIA] Suppose you have no problems getting elected, what type of attitude will you adopt in helping the president?

[Li Yuan-tsui] I feel one aspect is to abide by one's duties and another is to be responsible for fulfilling one's duties. Every position has its authority and responsibilities that cannot be exceeded.

When conducting affairs, just one individual should not be considered, we are responsible for fulfilling our duties, we must not haggle over the honor or disgrace of an individual. In conducting our affairs, we should endure hardships in order to carry out important tasks, we should not worry about gaining honor or being disgraced but should make our plans based on the perpetual interest of the country, nation, and people.

#### Try To Make Contributions, Do Not Try To Attain Fame and Position

I have often said that I acted as a minister only one day at a time; when you die, it will not matter if you were in

the position for 10 years, it will still be written on your tombstone that you were a minister. However, if you were a minister for only one day and were conscientious and made some good policies, you would have done far better than someone who worked as a minister for 10 years but did not do anything. Therefore, in evaluating someone we should look at whether he accomplished anything, if he contributed anything to the nation and society; we cannot just evaluate him on his fame and position.

It is just as in teaching, if you only go through the motions, then none of your students will show good results; even if you teach 10,000 students, it will be of no use. If you teach well, then no matter if you teach 10 or 100 students, they will all succeed. Some things cannot be evaluated by figures or position. The names of the republic's heads of state compared to the emperors in our 5,000-year history is very small.

History is full of figures who did not become heads of state but whose knowledge, skills, and achievements have been passed on from the remote past. Take for example the two pictures on this wall. What office did Tangyin hold? What office did Suwu hold? The value of a person's life must be looked at in a special way. A person's outlook on life is very important, this outlook on life governs a person's every action.

#### Be Indifferent to Praise or Blame

[TIEN HSIA] How would you like people to describe you? How would you like to be spoken of in the future?

[Li Yuan-tsui] I have already told you, people who pay attention to praise and blame do not amount to much, if they would only conduct self-examination they would do fine. Suppose that today you praise me as being very good, but I do not feel that this praise really suits me, then it does not do me any good. If you put blame on me, then I will correct mistakes if I have made any and guard against them if I have not.

Sometimes the sun shines brightly and sometimes it is cloudy; the moon is sometimes full and sometimes it is only partially visible. For example, when the sun is bright, you praise it, but the sun is still the sun. During a violent storm the sun does not come out because it is hidden by dark clouds, you curse at this sun, but the sun is only the sun, it is not to blame. The most important thing is to question oneself.

I feel that a person should conduct himself in this fashion, that is why I am always indifferent to praise or blame.